



## **Prudent Man Investment Management, Inc.**

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[www.prudentman.com](http://www.prudentman.com)

### **Part 2A Brochure**

March 7, 2024

This brochure provides information about the qualifications and business practices of Prudent Man Investment Management, Inc. If you have any questions about the contents of this brochure, please contact us at (303) 436-1577. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Prudent Man Investment Management, Inc. is a Registered Investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

Additional information about Prudent Man Investment Management, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for Prudent Man Investment Management, Inc. is 104574.

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## ITEM 2 - MATERIAL CHANGES

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This section of the Brochure will address only those “material changes” that have been incorporated since our last delivery or posting of this document on the SEC’s public disclosure website (IAPD) [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Since our last filing dated March 31,2023, there have been no material changes to report for this section.

If you would like another copy of this Brochure, it can be downloaded from either the SEC website or our company website located at <http://www.prudentman.com/financial-resources/finance-links/>. Additionally, may contact our CCO Keith Diamond at (303) 436-1577 or [kdiamond@prudentman.com](mailto:kdiamond@prudentman.com).

We encourage you to read this document in its entirety.

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## ITEM 4 – ADVISORY BUSINESS

This Disclosure document is being offered to you by Prudent Man Investment Management, Inc. (“Prudent Man”) in connection with the investment advisory services we provide. It discloses information about the services we provide and the way those services are made available to you, the client.

Prudent Man Investment Management, Inc. is an independent, fee-only investment advisory firm providing asset and portfolio management to clients. The firm became a registered investment adviser in 1988. Chris Reading is the current owner of the firm. Keith Diamond is the Chief Compliance Officer.

### **Investment Management and Supervision Services**

Prudent Man Investment Management, Inc. offers both discretionary and non-discretionary investment supervisory services for its full range of clients. Prudent Man follows a disciplined approach to long-term investing based on a belief in global market diversification and true asset allocation through the use of low cost institutional mutual funds. We develop investment portfolios tailored to our clients’ specific financial goals and consistent with our mission to provide the best investment experience at the lowest cost, focusing on after tax returns. Our services include assisting clients in the design of written investment objective and policy statements (which will include target rates of return), asset allocation, and the types of investments that may be considered.

Prudent Man Investment Management, Inc., intends to primarily utilize no-load, passively managed, index-based funds for U.S. and International Equity investments to achieve the clients’ investment objectives. We closely monitor the clients’ investments and investment performance as it relates to the long-term objectives of the clients. Investment advisory services are initiated only after you and Prudent Man execute an engagement letter or client agreement.

In all cases, you have a direct and beneficial interest in your securities, rather than an undivided interest in a pool of securities. We do not and will not have custody of your funds or securities. We do have limited authority to direct the Custodian to deduct investment advisory fees, but only with the appropriate authorization from you.

You are advised and are expected to understand that our past performance is not a guarantee of future results. Certain market and economic risks exist that may adversely affect an account’s performance. This could result in capital losses in your account.

### **Retirement Plan Advisory Services**

Retirement Plan Advisory Services consists of assisting employer plan sponsors establish, monitor and review their company’s retirement plan. As the needs of the plan sponsor dictate, areas of advising could include: investment selection and monitoring, plan structure, and participant education.

We will establish your plan’s needs and objectives through an initial meeting to collect data, review plan information, and assist you in developing or updating the plan’s provisions. Ongoing services to you may include recommendations regarding the selection and review of unaffiliated mutual funds that, in our judgment, are suitable for plan assets for you to be invested. We periodically review the investment options you select and make recommendations to keep or replace plan investment options as appropriate. We perform a comprehensive review of potential service providers or vendors and will assist you with converting from your incumbent service provider to a new service provider selected by you. You are under no obligation to follow the recommendations we make.

Services available under an Investment Advisory Agreement permit us to provide financial education to your plan participants. The scope of education provided to participants at your request will not constitute “investment advice” within the meaning of ERISA and participant education will relate to general principles for investing and information about the investment options currently in the plan. We may also participate in initial enrollment meetings and periodic workshops and enrollment meetings for new participants as we agree upon.

All Retirement Plan Advisory Services shall be in compliance with any applicable Federal and State law(s) regulating the services provided by our Agreement. This section applies to an Account that is a pension or other employee benefit plan (a "Plan") governed by the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). If your Account is part of a Plan and we accept appointments to provide our services to your Account, we acknowledge that we are a fiduciary within the meaning of Section 3(21) of ERISA. You represent that (i) Our appointment and services are consistent with the Plan documents, (ii) You have furnished us true and complete copies of all documents establishing and governing the Plan and evidencing your authority to retain our firm. You further represent that you will promptly furnish us with any amendments to the Plan, and you agree that, if any amendment affects our rights or obligations, such amendment will be binding on us only with our prior written consent. If your Account contains only a part of the assets of the Plan, you understand that we will have no responsibilities for the diversification of the Plan's investments, and we have no duty, responsibility or liability for the assets that are not in the account. If ERISA or other applicable law requires bonding with respect to the assets in your account, you will obtain and maintain at your expense bonding that satisfies this requirement and covers Prudent Man and any of our affiliates.

### **Disclosure Regarding Rollover Recommendations**

We are fiduciaries under the Investment Advisers Act of 1940 and when we provide investment advice to you regarding your retirement plan account or individual retirement account, we are also fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. We have to act in your best interest and not put our interest ahead of yours. At the same time, the way we make money creates some conflicts with your interests.

A client or prospect leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) rollover to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). Our Firm may recommend an investor roll over plan assets to an IRA for which our Firm provides investment advisory services. As a result, our Firm and its representatives may earn an asset-based fee. In contrast, a recommendation that a client or prospective client leave their plan assets with their previous employer or roll over the assets to a plan sponsored by a new employer will generally result in no compensation to our Firm. Our Firm therefore has an economic incentive to encourage a client to roll plan assets into an IRA that our Firm will manage, which presents a conflict of interest. To mitigate the conflict of interest, there are various factors that our Firm will consider before recommending a rollover, including but not limited to: (i) the investment options available in the plan versus the investment options available in an IRA, (ii) fees and expenses in the plan versus the fees and expenses in an IRA, (iii) the services and responsiveness of the plan's investment professionals versus those of our Firm, (iv) protection of assets from creditors and legal judgments, (v) required minimum distributions and age considerations, and (vi) employer stock tax consequences, if any. Our Firm's Chief Compliance Officer remains available to address any questions that a client or prospective client has regarding the oversight.

### **Wrap Fee Programs**

We do not place client assets into a wrap fee program.

### **Assets**

As of December 31, 2023, we have a total of \$285,405,082 assets under our Firm's management. Assets managed on a discretionary basis total \$277,856,732 and \$7,548,350 assets are managed on a non-discretionary basis.

## ITEM 5 - FEES AND COMPENSATION

### **Investment Management Fees and Compensation**

Prudent Man charges a fee as compensation for providing Investment Management services on your account. These services include advisory and consulting services, trade entry, investment supervision, and other account maintenance activities. The custodian may charge custodial fees, transaction costs, redemption fees, retirement plan and administrative fees or commissions. See Additional Fees and Expenses below.

The fees for accounts are based on an annual percentage of assets under management and are applied to the account asset value on a pro-rated basis, billed quarterly in advance. The initial fee will be based upon the date the account is accepted for management by execution of the advisory agreement by Prudent Man or when the assets are transferred through the last day of the current calendar quarter. Thereafter, the fee will be based at each previous quarter's month end. Fees are assessed on assets under management and securities. We do not assess management fees on cash and/or money market balances held within client accounts.

Our investment advisory fees shall not exceed 1.00%. The specific advisory fees are set forth in your Investment Advisory Agreement. Fees may vary based on the size of the account, complexity of the portfolio, extent of activity in the account or other reasons agreed upon by us and you as the client. In certain circumstances, our fees and the timing of the fees may be negotiated.

At our discretion, we may add (aggregate) asset amounts in accounts from your same household together to determine the advisory fee for all your accounts. We may do this, for example, where we also service accounts on behalf of your minor children, individual and joint accounts for a spouse, and/or other types of related accounts. This consolidation practice is designed to allow you the benefit of an increased asset total, which could potentially cause your account(s) to be assessed a reduced advisory fee based on the asset levels available in our fee schedule.

You authorize us to debit your account quarterly for our fee. The independent qualified custodian holding your funds and securities will debit your account directly for the advisory fee and pay that fee to us.

You will provide written authorization permitting the fees to be paid directly from your account held by the qualified custodian. Further, the qualified custodian agrees to deliver an account statement at least quarterly directly to you indicating all the amounts deducted from the account including our advisory fees. You are encouraged to review your account statements for accuracy.

Either Prudent Man or you may terminate the management agreement, upon immediate written notice to the other party. The management fee will be pro-rated to the date of termination, for the quarter in which the cancellation notice was given. Upon termination, you are responsible for monitoring the securities in your account, and we will have no further obligation to act or advise with respect to those assets.

### **Additional Fees and Expenses:**

Advisory fees payable to us do not include all the fees you will pay when we purchase or sell securities for your Account(s). The following list of fees or expenses are what you may pay directly to third parties, whether a security is being purchased, sold, or held in your Account(s) under our management.

- Mutual fund administration fees in the form of expense ratios that are paid directly to the mutual fund provider. The expense ratios will vary from fund to fund and can range from .09% of fund assets to 0.50% of fund assets. There are no sales fees associated with the funds paid to Prudent Man,

- Transactions fees per custodian will include the following:
  - a) \$20 -\$50 per transaction (a buy or sell) for mutual fund trades placed at Charles Schwab,
  - b) The above stated fees for individual equity trades will be reduced depending upon the total AUM for a given household:
    - Brokerage commissions;
    - Transaction fees;
    - Exchange fees;
    - SEC fees;
    - Advisory fees and administrative fees charged by Mutual Funds (MF) and Exchange Traded Funds (ETFs)
    - Advisory fees charged by sub-advisers (if any are used for your account);
    - Custodial Fees;
    - Deferred sales charges (on MF or annuities);
    - Odd-Lot differentials;
    - Transfer taxes;
    - Wire transfer and electronic fund processing fees;
    - Commissions or mark-ups / mark-downs on security transactions;

All fees exclusive of the investment management fee can be obtained by contacting Keith Diamond at (303) 436-1577 and kdiamond@prudentman.com. Please refer to the “Brokerage Practices” below for discussion of Prudent Man’s brokerage practices.

**Administrative Services Provided by Tamarac**

We have contracted with Tamarac to use its technology platforms to support data reconciliation, performance reporting, fee calculation and billing, client database maintenance, quarterly performance evaluations, payable reports, and other functions related to the administrative tasks of managing client accounts. Due to this arrangement, Tamarac will have access to client information, but Tamarac will not serve as an investment adviser to our clients. Our Firm and Tamarac are non-affiliated companies. Tamarac charges our Firm an annual fee for each account administered by Tamarac. Please note that the fee charged to the client will not increase due to the annual fee Prudent Man pays to Tamarac, the annual fee is paid from the portion of the management fee retained by our Firm.

There may be a possibility of price or account value discrepancies due to quarter-end transactions in an account. Dividends or trade date settlements may occur and our third-party billing software may report a slight difference in account valuation at quarter end compared to what is reported on your Statement from the Custodian. Our firm can produce billing summaries, which are provided upon request.

**ITEM 6 - PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

We do not charge advisory fees on a share of the capital appreciation of the funds or securities in a client account (so-called performance based fees). Our advisory fee compensation is charged only as disclosed above in Fees and Compensation.

**ITEM 7 - TYPES OF CLIENTS**

We provide portfolio and asset management services to individuals, estates, family trusts, corporate investment plans, corporate sponsored pension and profit-sharing plans, and corporate sponsored 401(k) plans. We have a minimum requirement of \$500,000 of investable assets to open an account with Prudent Man, but we will consider smaller account sizes depending on the nature of the client account(s) in question.

## ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

We offer customized investment management services based on our client's overall investment needs. The most important step in the investment process is to interview our clients to understand their risk tolerance by outlining both their short-term income needs and long-term investment objectives so that we can create an investment policy statement. The investment policy statement guides our allocation of assets to cash, fixed income, and equities.

Our investment strategy is based on our belief in modern portfolio theory and the efficient market hypothesis. We follow a disciplined and proven approach to long term investing based on a belief in global market diversification and true asset allocation. We invest using only low-cost, passively managed, institutional mutual funds that use the best academic, theoretical, and empirical studies the financial and economic communities have produced. Throughout this process, we make every effort to ensure our client has a complete understanding of the nature of risk, and how we can incorporate it into a portfolio that will take advantage of the capital markets as we seek portfolio growth and long-term stability.

Our Firm may include mutual funds and exchange traded funds, ("ETFs") in our investment strategies. Our policy is to purchase institutional share classes of those mutual funds selected for the client's portfolio. The institutional share class generally has the lowest expense ratio. The expense ratio is the annual fee that all mutual funds or ETFs charge their shareholders. It expresses the percentage of assets deducted each fiscal year for funds expenses, including 12b-1 fees, management fees, administrative fees, operating costs, and all other asset-based costs incurred by the fund. Some fund families offer different classes of the same fund, and one share class may have a lower expense ratio than another share class. These expenses come from client assets which could impact the client's account performance. Mutual fund expense ratios are in addition to our fee, and we do not receive any portion of these charges. If an institutional share class is not available for the mutual fund selected, the adviser will purchase the least expensive share class available for the mutual fund. As share classes with lower expense ratios become available, we may use them in the client's portfolio, and/or convert the existing mutual fund position to the lower cost share class. Clients who transfer mutual funds into their accounts with our Firm would bear the expense of any contingent or deferred sales loads incurred upon selling the product. If a mutual fund has a frequent trading policy, the policy can limit a client's transactions in shares of the fund (e.g., for rebalancing, liquidations, deposits, or tax harvesting). All mutual fund expenses and fees are disclosed in the respective mutual fund prospectus.

### **Non-Transaction Fee (NTF) Mutual Funds**

When selecting investments for our clients' portfolios we might choose mutual funds on your account custodian's Non-Transaction Fee (NTF) list. This means that your account custodian will not charge a transaction fee or commission associated with the purchase or sale of the mutual fund.

The mutual fund companies that choose to participate in your custodian's NTF fund program pay a fee to be included in the NTF program. The fee that a mutual fund company pays to participate in the program is ultimately borne by the owners of the mutual fund including clients of our Firm. When we decide whether to choose a fund from your custodian's NTF list or not, we consider our expected holding period of the fund, the position size, and the expense ratio of the fund versus alternative funds. Depending on our analysis and future events, NTF funds might not always be in your best interest.

### **Risks**

Clients must understand that past performance is not indicative of future results. Therefore, current and prospective clients should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. Clients and prospective clients should be prepared to bear investment loss including loss of original principal.



Because of the inherent risk of loss associated with investing, we are unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. There are certain additional risks associated when investing in securities through Prudent Man.

You should be aware that your account is subject to the following risks:

- Stock Market Risk – The value of securities in the portfolio will fluctuate and, as a result, the value may decline suddenly or over a sustained period of time.
- Managed Portfolio Risk – The manager’s investment strategies or choice of specific securities may be unsuccessful and may cause the portfolio to incur losses.
- Industry Risk – The portfolio’s investments could be concentrated within one industry or group of industries. Any factors detrimental to the performance of such industries will disproportionately impact your portfolio. Investments focused in a particular industry are subject to greater risk and are more greatly impacted by market volatility than less concentrated investments.
- Non-U.S. Securities Risk – Non-U.S. securities are subject to the risks of foreign currency fluctuations, generally higher volatility, and lower liquidity than U.S. securities, less developed securities markets and economic systems and political and economic instability.
- Emerging Markets Risk – To the extent that your portfolio invests in issuers located in emerging markets, the risk may be heightened by political changes and changes in taxation or currency controls that could adversely affect the values of these investments. Emerging markets have been more volatile than the markets of developed countries with more mature economies.
- Currency Risk – The value of your portfolio’s investments may fall as a result of changes in exchange rates.
- Interest Rate Risk - The value of fixed income securities rises or falls based on the underlying interest rate environment. If rates rise, the value of most fixed income securities could go down.
- Credit Risk - Most fixed income instruments are dependent on the underlying credit of the issuer. If we are wrong about the underlying financial strength of an issuer, we may purchase securities where the issuer is unable to meet its obligations. If this happens, your portfolio could sustain an unrealized or realized loss.
- Inflation Risk - Most fixed income instruments will sustain losses if inflation increases or the market anticipates increases in inflation. If we enter a period of moderate or heavy inflation, the value of your fixed income securities could go down.
- ETF and Mutual Fund Risk – When we invest in an ETF or mutual fund for a client, the client will bear additional expenses based on its pro rata share of the ETFs or mutual fund’s operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. Clients may also incur brokerage costs when purchasing ETFs.
- Management Risk – Your investment with us varies with the success and failure of our investment strategies, research, analysis, and determination of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment will decrease.

- Cybersecurity Risk - In addition to the Material Risks listed above, investing involves various operational and “cybersecurity” risks. These risks include both intentional and unintentional events at our Firm or one of its third-party counterparties or service providers, that may result in a loss or corruption of data, result in the unauthorized release or other misuse of confidential information, and generally compromise our Firm’s ability to conduct its business. A cybersecurity breach may also result in a third-party obtaining unauthorized access to our clients’ information, including social security numbers, home addresses, account numbers, account balances, and account holdings. Our Firm has established business continuity plans and risk management systems designed to reduce the risks associated with cybersecurity breaches. However, there are inherent limitations in these plans and systems, including that certain risks may not have been identified, in large part because different or unknown threats may emerge in the future. As such, there is no guarantee that such efforts will succeed, especially because our Firm does not directly control the cybersecurity systems of our third-party service providers. There is also a risk that cybersecurity breaches may not be detected.

#### **ITEM 9 - DISCIPLINARY INFORMATION**

Prudent Man does not have any legal, financial, or other disciplinary item to report.

#### **ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Our Firm does not have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading adviser, or an associated person of the foregoing entities.

Neither our firm nor any of its management persons are registered or have an application pending to register as a broker-dealer.

Clients should be aware that the ability to receive additional compensation by our Firm and its management persons or employees creates conflicts of interest that impair the objectivity of the Firm and these individuals when making advisory recommendations. Our Firm endeavors at all times to put the interest of its clients first as part of our fiduciary duty as a registered investment adviser; we take the following steps, among others to address this conflict:

- We disclose to clients the existence of all material conflicts of interest, including the potential for the Firm and our employees to earn compensation from advisory clients in addition to the Firm's advisory fees.
- We disclose to clients that they have the right to decide to purchase recommended investment products from our employees.
- We collect, maintain and document accurate, complete, and relevant client background information, including the client’s financial goals, objectives, and liquidity needs.
- The Firm conducts regular reviews of each client advisory account to verify that all recommendations made to a client are in the best interest of the client’s needs and circumstances.
- We require that our employees seek prior approval of any outside employment activity so that we may ensure that any conflicts of interest in such activities are properly addressed.
- We periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by the Firm.

#### **ITEM 11 - CODE OF ETHICS PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

Prudent Man and persons associated with us are allowed to invest for their own accounts or have a financial interest in the same securities or other investments that we recommend or acquire for your account, and may engage in transactions that are the same as or different than transactions recommended to or made for your account. This creates a conflict of interest. We recognize the fiduciary responsibility to place your interests first and have established policies in this regard to avoid any potential conflicts of interest.

We have developed and implemented a Code of Ethics that sets forth standards of conduct expected of our advisory personnel to mitigate this conflict of interest. The Code of Ethics addresses, among other things, personal trading, gifts, the prohibition against the use of inside information and other situations where there is a possibility for conflicts of interest.

The Code of Ethics is designed to protect our clients by deterring misconduct, educate personnel regarding the firm's expectations and laws governing their conduct, remind personnel that they are in a position of trust and must act with complete propriety at all times, protect the reputation of Prudent Man, guard against violation of the securities laws, and establish procedures for personnel to follow so that we may determine whether their personnel are complying with the firm's ethical principles.

We have established the following restrictions in order to ensure our firm's fiduciary responsibilities:

1. A director, officer or employee of Prudent Man shall not buy or sell any securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry. No director, officer or employee of Prudent Man shall prefer his or her own interest to that of the advisory client,
2. We maintain a list of all securities holdings for itself, and anyone associated with this advisory practice with access to advisory recommendations. These holdings are reviewed on a regular basis by an appropriate officer/individual of Prudent Man,
3. We emphasize the unrestricted right of the client to decline to implement any advice rendered, except in situations where we are granted discretionary authority of the client's account,
4. We emphasize the unrestricted right of the client to select and choose any broker-dealer (except in situations where we are granted discretionary authority) he or she wishes,
5. We require that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices,
6. Any individual not in observance of the above may be subject to termination.

You may request a complete copy of our Code by contacting us at the address, telephone, or email on the cover page of this Part 2; Attn: Chief Compliance Officer.

## ITEM 12 - BROKERAGE PRACTICES

Clients must maintain assets in an account at a "qualified custodian," generally a broker-dealer or bank. We recommend that our clients use Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member as the qualified custodian. We are independently owned and operated, and unaffiliated with Schwab. Schwab will hold client assets in a brokerage account and buy and sell securities when we instruct them to.

While we recommend that clients use our preferred custodian as custodian/broker, the client must decide whether to do so and open accounts with Schwab by entering into account agreements directly with them. We will open accounts on the client's behalf and will notify the client in writing of the custodian's name, address, and the title of the account, promptly when the account is opened and following any changes to this information. The accounts will always be held in the name of the client and never in Prudent Man's name. Even though clients maintain accounts at Schwab, we can still use other brokers to execute trades for client accounts (see ***Client Brokerage and Custody Costs***, below).

### **How We Select Brokers/Custodians**

We seek to recommend a custodian/broker who will hold client assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others:

Combination of transaction execution services and asset custody services (generally without a separate fee for custody),

- Capability to execute, clear, and settle trades (buy and sell securities for client accounts),
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds [ETFs], etc.),
- Availability of investment research and tools that assist us in making investment decisions,
- Quality of services,
- Competitiveness of the price of those services (commission rates, other fees, etc.) and willingness to negotiate the prices,
- Reputation, financial strength, and stability,
- Prior service to Prudent Man and our other clients,
- Availability of other products and services that benefit us, as discussed below.

### **Client Brokerage and Custody Costs**

For our clients' accounts that Schwab maintains, Schwab generally does not charge separately for custody services. However, Schwab receives compensation by charging ticket charges or other fees on trades that it executes or that settle into clients' Schwab accounts. In addition to commissions, Schwab charges a flat dollar amount as a "prime broker" or "trade away" fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into a client's Schwab account. These fees are in addition to the ticket charges or other compensation the client pays the executing broker-dealer. Because of this, in order to minimize trading costs, we have Schwab execute most trades for client accounts. We have determined that having Schwab execute most trades is consistent with our duty to seek "best execution" of client trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see *How We Select Brokers/Custodians*).

### **Products and Services Available to Us from Schwab**

Schwab Advisor Services™ (formerly called Schwab Institutional®) is Schwab's business serving independent investment advisory firms like us. They provide Prudent Man and our clients with access to its institutional brokerage, trading, custody, reporting, and related services, many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts; others help us manage and grow our business. Schwab's support services generally are available on an unsolicited basis (we do not have to request them) and at no charge to us.

#### **The following is a more detailed description of Schwab's support services:**

##### **Services That Benefit Our Clients**

Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit our clients and their accounts.

##### **Services That May Not Directly Benefit Our Clients**

Schwab also makes available to us other products and services that benefit us but may not directly benefit our clients or their accounts. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of our fees from our clients' accounts
- Assist with back-office functions, recordkeeping, and client reporting

#### Services That Generally Benefit Only Us

Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events
- Consulting on technology, compliance, legal, and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits, such as occasional business entertainment for our personnel.

#### Our Interest in Schwab's Services

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. These services are not contingent upon us committing any specific amount of business to Schwab in trading commissions. We believe that our selection of Schwab as custodian and broker is in the best interests of our clients.

Some of the products, services and other benefits provided by Schwab benefit Prudent Man and may not benefit our client accounts. Our recommendation or requirement that you place assets in Schwab's custody may be based in part on benefits Schwab provides to us, or our agreement to maintain certain Assets Under Management (AUM) at Schwab, and not solely on the nature, cost or quality of custody and execution services provided by Schwab.

We place trades for our clients' accounts subject to its duty to seek best execution and its other fiduciary duties. We may use broker-dealers other than Schwab to execute trades for your accounts maintained at Schwab, but this practice may result in additional costs to clients so that we are more likely to place trades through Schwab rather than other broker-dealers. Schwab's execution quality may be different than other broker-dealers.

#### Trade Errors

We have implemented procedures designed to prevent trade errors; however, trade errors in client accounts cannot always be avoided. Consistent with our fiduciary duty, it is our policy to correct trade errors in a manner that is in the best interest of the client. In cases where the client causes a trade error, the client will be responsible for any loss resulting from the correction. Depending on the specific circumstances of the trade error, the client may not be able to receive any gains generated as a result of the error correction. In all situations where the client does not cause the trade error, the client will be made whole and we will absorb any loss resulting from the trade error if the error was caused by the firm. If the error is caused by the broker-dealer, the broker-dealer will be responsible for covering all trade error costs. If an investment gain results from the correcting trade, the gain will be donated to charity. We will never benefit or profit from trade errors.

## ITEM 13 - REVIEW OF ACCOUNTS

### **Account Reviews and Reviewers – Investment Supervisory Services**

The underlying securities within the investment supervisory services are regularly monitored. These reviews will be made by Chris Reading, Keith Diamond, and Carol Johnson. Client meetings are typically held twice a year and are usually conducted in person or by telephone.

The purpose of all these reviews is to ensure that the investment plan continues to be implemented in a manner which matches your objectives and risk tolerances. More frequent reviews may be triggered by material changes in variables such as your individual circumstances, or the market, political or economic environment. You are urged to notify us of any changes in your personal circumstances.

### **Statements and Reports**

Prudent Man will have the ability to provide clients with Performance/Position summary reports upon request. Reports may also be provided at every client meeting. Communication with clients will be done on an as needed basis with a minimum of 1 contact per calendar quarter.

The Custodian will provide quarterly statements of the assets in our Account, the purchase date, the cost, and the current market value for the period (or since the opening of the Account). The quarterly fee will be reflected in the periodic account statement provided by the Custodian. The Custodian will make available to you a statement no less than quarterly showing all amounts paid from the Account including all management fees paid by Custodian to Prudent Man. In case of an error in such reports, you shall notify Prudent Man promptly, and Prudent Man will use good faith efforts to make corrections to such reports in a timely manner. Additionally, Prudent Man will provide access to the Client of the amount(s) invoiced and billed as part of its quarterly reporting. You are urged to compare the reports provided by Prudent Man against the account statements you receive directly from your account custodian.

## ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION

As disclosed under Brokerage Practices, we participate in Charles Schwab's Institutional Customer program and we may recommend Charles Schwab to you for custody and brokerage services. There is no direct link between our participation in the program and the investment advice we give to our clients, although we receive economic benefits through our participation in the program that are typically not available to any other independent Investment Advisors participating in the program. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to us by third party vendors.

Our Firm may be asked to recommend a financial professional, such as an attorney, accountant, or mortgage broker. In such cases, our Firm does not receive any direct compensation in return for any referrals made to individuals or firms in our professional network. Clients must independently evaluate these firms or individuals before engaging in business with them and clients have the right to choose any financial professional to conduct business. Individuals and firms in our financial professional network may refer clients to our Firm. Again, our Firm does not pay any direct compensation in return for any referrals made to our Firm. Our Firm does recognize the fiduciary responsibility to place your interests first and have established policies in this regard to mitigate any conflicts of interest.

IARs endeavor to put the interest of our clients first as a part of their fiduciary duty. However, you should be aware that the receipt of additional compensation through expense reimbursements creates a conflict of interest that may impact the judgment of the IARs when making advisory recommendations.

Prudent Man does not receive compensation for referrals.

#### **ITEM 15 - CUSTODY**

Custody, as it applies to investment advisors, has been defined by regulators as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds and securities. If an investment advisor has access or control client funds or securities, the investment advisor is deemed to have custody and must ensure proper procedures are implemented.

Prudent Man is deemed to have custody of client funds and securities whenever Prudent Man is given the authority to have fees deducted directly from client accounts. However, this is the only form of custody Prudent Man will ever maintain. It should be noted that authorization to trade in client accounts is not deemed by regulators to be custody.

For accounts in which Prudent Man is deemed to have custody, the firm has established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the establishment of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained. Finally, account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. Clients should carefully review those statements and are urged to compare the statements against reports received from Prudent Man. When clients have questions about their account statements, they should contact Prudent Man or the qualified custodian preparing the statement.

When fees are deducted from an account, Prudent Man is responsible for calculating the fee and delivering instructions to the custodian. At the same time Prudent Man instructs the custodian to deduct fees from the client's account; Prudent Man will provide access an invoice itemizing the fee.

#### **ITEM 16 - INVESTMENT DISCRETION**

Prior to engaging Prudent Man to provide investment advisory services, clients enter into a written Agreement with Prudent Man granting the firm the authority to supervise and direct, on an on-going basis, investments- in accordance with the client's investment objective and guidelines. Clients will also execute any and all documents required by the Custodian so as to authorize and enable Prudent Man, in its sole discretion, without prior consultation with or ratification by you, to purchase, sell or exchange securities in and for your account. We are authorized, in our discretion and without prior consultation with you to: (1) buy, sell, exchange and trade any stocks, bonds or other securities or assets and (2) determine the amount of securities to be bought or sold and (3) place orders with the custodian. Any limitations to such authority will be communicated by you to us in writing.

The limitations on investment and brokerage discretion held by Prudent Man for you are:

1. For discretionary clients, we require that it be provided with authority to determine which securities and the amounts of securities to be bought or sold,
2. Any limitations on this discretionary authority shall be included in this written authority statement. You may change/amend these limitations as required. Such amendments shall be submitted in writing.

In some instances where we may not have discretion, we will discuss all transactions with you prior to execution or you will be required to make the trades if in an employer sponsored account.

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**ITEM 17 - VOTING CLIENT SECURITIES**

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Prudent Man may accept authority to vote proxies with respect to securities owned by Clients. We have adopted proxy voting policies and procedures with respect to securities owned by our Clients for which we have been specifically delegated voting authority and discretion, in accordance with its fiduciary duties and Securities and Exchange Commission Rule 206(4)-6 under the Investment Advisers Act of 1940, which are reasonably designed to ensure that proxies are voted in the best interest of Clients.

The guiding principle by which we vote on all matters submitted to security holders is the maximization of the ultimate economic value of your holdings. We do not permit voting decisions to be influenced in any matter that is contrary to, or dilutive of, this guiding principle. It is the policy to avoid situations where there is any material conflict of interest or perceived conflict of interest affecting the voting decisions. The Chief Investment Officer reviews and votes proxies.

It is the general policy that we vote on all matters presented to security holders in any Proxy, and these policies and procedures have been designed with that in mind. However, we reserve the right to abstain on any particular vote or otherwise withhold its vote on any matter if in the judgment of Prudent Man, the costs associated with voting such Proxy outweigh the benefits you, or if the circumstances make such an abstention or withholding otherwise advisable and in the best interests of you, in our judgment.

Clients delegate to Prudent Man the discretionary power to vote the securities held in their account pursuant to written agreement. Prudent Man does not accept any subsequent directions on matters presented to shareholders for a vote, regardless of whether such subsequent directions are from the Client itself or a third party.

Upon request, we will provide separately to each Client: (i) a copy of Prudent Man's proxy voting policies and procedures and (ii) details as to how the firm has voted securities in your account.

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**ITEM 18 - FINANCIAL INFORMATION**

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This item is not applicable to this brochure. We do not require or solicit prepayment of more than \$1200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for our most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, we have not been the subject of a bankruptcy petition at any time.