

# Disclosure Brochure

October 31, 2023



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This brochure provides information about the qualifications and business practices of Target Financial Services, LLC (hereinafter "TFS"). If you have any questions about the contents of this brochure, please contact James C. Payne, Jr. at (732) 750-9880. 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. Additional information about TFS is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

TFS is an SEC registered investment adviser. Registration does not imply any level of skill or training.

## Item 2. Material Changes

This section of the brochure discusses only the material changes that have occurred since TFS's last annual update dated March 21, 2023. The Firm has updated Item 8 to disclose the following:

The Firm uses models licensed from Fidelity Institutional Wealth Adviser LLC ("FIWA") through the 55ip platform. The models are only used for clients that do not have individual stocks as a core holding. There is no additional fee to the client where the Firm uses FIWA. The Firm has agreed to maintain a certain amount of assets under management in the FIWA models. Therefore, the Firm has a conflict of interest as there is an incentive to meet the minimum.

In addition, Item 7 has been updated to include the following: The Firm does, however, have a \$10,000 minimum for using its models.

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## Item 4. Advisory Business

TFS was founded July 2000 and has been in business as an SEC registered investment adviser since December 2003. Alan Rubin and James Payne are the principal owners of TFS. From the firm's inception, it has been TFS's mission to identify its clients' financial and estate goals, formulate a comprehensive strategy, and provide them with the appropriate investment and insurance vehicles to fulfill those needs.

TFS provides financial planning, consulting, and investment management services. Prior to engaging TFS to provide any of the foregoing investment advisory services, the client is required to enter into one or more written agreements with TFS setting forth the terms and conditions under which TFS renders its services (collectively the "Agreement").

As of December 31, 2022, TFS had approximately \$254,922,234 in assets under management, all of which was managed on a discretionary basis.

This disclosure brochure describes the business of TFS. Certain sections will also describe the activities of Supervised Persons. Supervised Persons are any of TFS's officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on TFS's behalf and is subject to TFS's supervision or control.

### Financial Planning and Consulting Services

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TFS provides its clients with a broad range of comprehensive financial planning and consulting services (which include tax-related and other non-investment related matters). These services include education planning, retirement planning, cash flow projections, and estate planning in conjunction with client's legal counsel.

In performing its services, TFS is not required to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. TFS recommends the services of itself, its *Supervised Persons* in their individual capacities as registered representatives of a broker-dealer, and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if TFS recommends its own services. The client is under no obligation to act upon any of the recommendations made by TFS under a financial planning or consulting engagement or to engage the services of any such recommended professional, including TFS itself. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of TFS's recommendations. Clients are advised that it remains their responsibility to promptly notify TFS if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising TFS's previous recommendations and/or services.

## **Investment Management Services**

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Clients can engage TFS to manage all or a portion of their assets on a discretionary or non-discretionary basis.

TFS primarily allocates clients' investment management assets among mutual funds, exchange traded funds ("ETFs"), individual debt and equity securities, certificates of deposit, and/or options as well as the securities components of variable annuities and variable life insurance contracts in accordance with the investment objectives of the client. In addition, where appropriate, TFS recommends that clients who are "accredited investors" as defined under Rule 501 of the Securities Act of 1933, as amended, invest in private placement securities, which include debt, equity, and/or pooled investment vehicles when consistent with the clients' investment objectives. TFS also provides advice about any type of investment otherwise held in its clients' portfolios, but clients should not assume that these assets are being continually monitored or otherwise advised on by the Firm unless specifically agreed upon.

TFS also renders non-discretionary investment management services to clients relative to variable life/annuity products that they may own, their individual employer-sponsored retirement plans, and/or other products that may not be held by the client's primary custodian. In so doing, TFS either directs or recommends the allocation of client assets among the various investment options that are available with the product. Client assets are maintained at the specific insurance company or custodian designated by the product.

TFS tailors its advisory services to the individual needs of clients. TFS ensures that clients' investments are suitable for their investment needs, goals, objectives and risk tolerance. Clients are advised to promptly notify TFS if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon TFS's management services.

## **Additions and Withdrawals to Accounts**

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Clients may make additions to and withdrawals from their account at any time, subject to TFS's right to terminate an account. Clients may withdraw account assets on notice to TFS, subject to the usual and customary securities settlement procedures. However, TFS designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. Where appropriate, TFS consults with its clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, short-term redemption fees, fees assessed at the mutual fund level (e.g., contingent deferred sales charges) and/or tax ramifications.

## Item 5. Fees and Compensation

TFS offers its services on a fee basis which include hourly and/or fixed fees as well as fees based upon assets under management. Additionally, certain of TFS's *Supervised Persons* offer securities brokerage services and products under a commission-based arrangement.

### Financial Planning and Consulting Fees

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TFS charges a fixed fee and/or hourly fee for financial planning and consulting services. These fees are negotiable, but generally range from \$500 to \$5,000 on a fixed fee basis and/or from \$125 to \$250 on an hourly rate basis, depending upon the level and scope of the services and the professional rendering the financial planning and/or the consulting services. If the client engages TFS for additional investment advisory services, TFS may offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services.

Prior to engaging TFS to provide financial planning and/or consulting services, the client is required to enter into a written agreement with TFS setting forth the terms and conditions of the engagement. Generally, TFS requires one-half of the financial planning or consulting fee (estimated hourly or fixed) payable upon entering the written agreement. The balance is generally due upon delivery of the financial plan or completion of the agreed upon services.

### Investment Management Fee

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In the event the client determines to engage TFS to provide investment management services, TFS does so on a fee basis. TFS charges an annual fee based upon a percentage of the market value of the assets being managed by TFS. TFS's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. However, TFS does not receive any portion of these commissions, fees, and costs. TFS's annual fee is prorated and charged quarterly, in arrears, based upon the market value of the assets being managed by TFS on the last day of the previous quarter. The annual fee varies (between 1.00% and 2.00%) depending upon the market value of the assets under management and the type of investment management services to be rendered.

The Firm includes cash in a clients account in determining the valuation for billing purposes. The Firm may, in its sole discretion, not include cash in determining the fee, especially where a client has a high percentage of cash for reasons other than the Firm's investment management decision. TFS, in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, *pro bono* activities, etc.).

## **Additional Fees and Expenses**

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As further discussed in response to Item 12 (below), TFS generally recommends that clients utilize the brokerage and clearing services of Fidelity Institutional Wealth Services ("Fidelity") and Charles Schwab & Co., Inc. ("Schwab") for investment management accounts.

TFS may only implement its investment management recommendations after the client has arranged for and furnished TFS with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to, Fidelity, Schwab, any other broker-dealer recommended by TFS, broker-dealer directed by the client, trust companies, banks etc. (collectively referred to herein as the "Financial Institutions").

Additionally, clients incur certain charges imposed by the Financial Institutions and other third parties such as securities brokerage commissions, transaction fees, custodial fees, recharges imposed directly by a mutual fund or ETF in the account, which shall be disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), fees and expenses associated with alternative investments, deferred sales charges, odd-lot differentials, margin costs, reporting fees, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Such charges, fees and commissions are exclusive of and in addition to TFS's fee

## **Fee Debit**

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Clients generally provide TFS with the authority to directly debit their accounts for payment of the investment advisory fees. The Financial Institutions that act as the qualified custodian for client accounts, from which the firm retains the authority to directly deduct fees, have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to TFS.

## **Fees for Management During Partial Quarters of Service**

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For the initial period of investment management services, the fees shall be calculated on a *pro rata* basis.

The *Agreement* between TFS and the client will continue in effect until terminated by either party pursuant to the terms of the *Agreement*. TFS's fees shall be prorated through the date of termination and any remaining balance shall be charged to the client, as appropriate.

Additions may be in cash or securities provided that TFS reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account.

## **Commissions or Sales Charges for Recommendations of Securities**

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Clients can engage certain persons associated with TFS (but not TFS itself) to render securities brokerage services under a commission-based arrangement. Clients are under no obligation to engage

such persons and may choose brokers or agents not affiliated with TFS. Under this arrangement, the firm's Supervised Persons, in their individual capacities as registered representatives of Triad Advisors, Inc. ("*Triad*") provide securities brokerage services and implement securities transactions under a separate commission based arrangement. Supervised Persons are entitled to a portion of the brokerage commissions paid to Triad, as well as a share of any ongoing distribution or service (trail) fees from the sale of mutual funds. Where appropriate, TFS also recommends no-load or load-waived funds, where no sales charges are assessed. Prior to effecting any transactions clients are required to enter into a new account agreement with TRIAD. The brokerage commissions charged by TRIAD may be higher or lower than those charged by other broker-dealers

A conflict of interest exists to the extent that a Supervised Person of TFS recommends the purchase or sale of securities through a brokerage relationship where that Supervised Persons receives commissions or other additional compensation as a result of that recommendation (the "Brokerage Relationship"). Because the Supervised Persons receive compensation in connection with the sale of securities in the Brokerage Relationship, a conflict of interest exists as such Supervised Persons, have an incentive to recommend more expensive securities or services to clients where such Supervised Persons earn more compensation with respect to the sale of such securities through the Brokerage Relationship rather than through an advisory relationship with the Firm. The Firm has procedures in place to ensure that any recommendations made by such Supervised Persons to engage in the Brokerage Relationship are in the best interest of that client. Clients should understand that the investments made in the Brokerage Relationship are not receiving advisory services from the Firm. Therefore, the Firm does not have a fiduciary duty over the Brokerage Relationship recommendations.



## **Item 6. Performance-Based Fees and Side-by-Side Management**

TFS does not provide any services for performance-based fees. Performance-based fees are those based on a share of capital gains on or capital appreciation of the assets of a client.

## **Item 7. Types of Clients**

TFS provides its services to individuals, pension and profit sharing plans, trusts, estates, corporations and business entities. TFS does not impose a minimum portfolio size or minimum annual fee. The Firm does, however, have a \$10,000 minimum for using its models.

## Item 8. Methods of Analysis, Investment Strategies and Risk of Loss

### Methods of Analysis

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TFS relies primarily on fundamental and technical methods of analysis.

Fundamental analysis involves the fundamental financial condition and competitive position of a company. TFS analyzes the financial condition, capabilities of management, earnings, new products and services, as well as the company's markets and position amongst its competitors in order to determine the recommendations made to clients. The primary risk in using fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security.

Technical analysis involves the analysis of past market data rather than specific company data in determining the recommendations made to clients. Technical analysis may involve the use of charts to identify market patterns and trends which may be based on investor sentiment rather than the fundamentals of the company. The primary risk in using technical analysis is that spotting historical trends may not help to predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that TFS will be able to accurately predict such a reoccurrence.

### Investment Strategies

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For most clients, TFS manages portfolios by allocating portfolio assets among various mutual funds and/or securities on a discretionary or non-discretionary basis using one or more of its proprietary investment strategies (collectively referred to as "investment strategy"). In so doing, TFS buys, sells, exchanges and/or transfers shares of securities based upon the investment strategy.

TFS utilizes allocation models as a guide for managing its clients' assets. TFS consults with its clients individually to discuss the specific risks and rewards of its model portfolios and determines the one most suitable in light their personal investment objectives. TFS uses these models to ensure that clients' assets are invested in the types of securities that meet their specific investment goals. Models range in composition from a conservative income-only portfolio (comprised of only cash and fixed income investments) to a more aggressive growth portfolio (comprised almost exclusively of equity investments).

The types of securities used by TFS depends on the market value of a client's account. TFS uses these benchmarks as a discussion point with the client and TFS may deviate from these benchmarks depending on a client's objectives and risk tolerance. For client accounts valued at less than \$100,000, TFS typically transacts in a combination of mutual funds and ETFs. For client accounts valued in excess of \$100,000, TFS typically transacts in mutual funds and ETFs, as well as individual stocks and bonds.

The models that TFS uses can be adjusted at any time to account for changing market conditions. At a minimum, all models are reviewed at least quarterly by TFS's investment committee. The investment

committee assesses the suitability of each holding to ensure that it remains consistent with investment objectives of the clients whose assets are managed pursuant to that allocation model.

TFS's management using the investment strategy complies with the requirements of Rule 3a-4 of the Investment Company Act of 1940, as amended. Rule 3a-4 provides similarly managed accounts, such as the investment strategy, with a safe harbor from the definition of an investment company.

Securities in the investment strategy are usually exchanged and/or transferred without regard to a client's individual tax ramifications. Certain investment opportunities that become available to TFS's clients may be limited. For example, various mutual funds or insurance companies may limit the ability of TFS to buy, sell, exchange or transfer securities consistent with its investment strategy. As further discussed in response to Item 12 (below), TFS allocates investment opportunities among its clients on a fair and equitable basis.

The Firm uses models licensed from Fidelity Institutional Wealth Adviser LLC ("FIWA") through the 55ip platform. The models are only used for clients that do not have individual stocks as a core holding. There is no additional fee to the client where the Firm uses FIWA. The Firm has agreed to maintain a certain amount of assets under management in the FIWA models. Therefore, the Firm has a conflict of interest as there is an incentive to meet the minimum.

### **Risk of Loss**

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Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

#### *Market Risks*

The profitability of a significant portion of TFS's recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that TFS will be able to predict those price movements accurately.

#### *Use of Margin*

To the extent that a client authorizes the use of margin, and margin is thereafter employed by TFS in the management of the client's investment portfolio, the market value of the client's account and corresponding fee payable by the client to TFS will be increased. As a result, in addition to understanding and assuming the additional principal risks associated with the use of margin, clients authorizing margin are advised of the potential conflict of interest whereby the client's decision to employ margin shall correspondingly increase the management fee payable to TFS. Accordingly, the decision as to whether to employ margin is left totally to the discretion of client.

While the use of margin borrowing can substantially improve returns, such use may also increase the adverse impact to which a client's portfolio may be subject. Borrowings will usually be from securities brokers and dealers and will typically be secured by the client's securities and/or other assets. Under

certain circumstances, such a broker-dealer may demand an increase in the collateral that secures the client's obligations and if the client were unable to provide additional collateral, the broker-dealer could liquidate assets held in the account to satisfy the client's obligations to the broker-dealer. Liquidation in that manner could have extremely adverse consequences. In addition, the amount of the client's borrowings and the interest rates on those borrowings, which will fluctuate, will have a significant effect on the client's profitability.

## *Volatility Risks*

The prices and values of investments can be highly volatile, and are influenced by, among other things, interest rates, general economic conditions, the condition of the financial markets, the financial condition of the issuers of such assets, changing supply and demand relationships, and programs and policies of governments.

## *Cash Management Risks*

The Firm may invest some of a client's assets temporarily in money market funds or other similar types of investments, during which time an advisory account may be prevented from achieving its investment objective.

## *Equity-Related Securities and Instruments*

The Firm may take long and short positions in common stocks of U.S. and non-U.S. issuers traded on national securities exchanges and over-the-counter markets. The value of equity securities varies in response to many factors. These factors include, without limitation, factors specific to an issuer and factors specific to the industry in which the issuer participates. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments, and the stock prices of such companies may suffer a decline in response. In addition, equity securities are subject to stock risk, which is the risk that stock prices historically rise and fall in periodic cycles. U.S. and non-U.S. stock markets have experienced periods of substantial price volatility in the past and may do so again in the future. In addition, investments in small-capitalization, mid-capitalization and financially distressed companies may be subject to more abrupt or erratic price movements and may lack sufficient market liquidity, and these issuers often face greater business risks.

## *Fixed Income Securities*

Fixed income securities are subject to the risk of the issuer's or a guarantor's inability to meet principal and interest payments on its obligations and to price volatility.

## *Mutual Funds and Exchange Traded Funds (ETFs)*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's

underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

## *Options*

Options allow investors to buy or sell a security at a contracted "strike" price (not necessarily the current market price) at or within a specific period of time. Clients may pay or collect a premium for buying or selling an option. Investors transact in options to either hedge (limit) losses in an attempt to reduce risk or to speculate on the performance of the underlying securities. Options transactions contain a number of inherent risks, including the partial or total loss of principal in the event that the value of the underlying security or index does not increase/decrease to the level of the respective strike price. Holders of options contracts are also subject to default by the option writer which may be unwilling or unable to perform its contractual obligations.

## *Use of Private Collective Investment Vehicles*

TFS may recommend the investment by certain clients in privately placed collective investment vehicles (some of which may be typically called "hedge funds"). The managers of these vehicles will have broad discretion in selecting the investments. There are few limitations on the types of securities or other financial instruments which may be traded and no requirement to diversify. The hedge funds may trade on margin or otherwise leverage positions, thereby potentially increasing the risk to the vehicle. In addition, because the vehicles are not registered as investment companies, there is an absence of

regulation. There are numerous other risks in investing in these securities. The client will receive a private placement memorandum and/or other documents explaining such risks.

### **Item 9. Disciplinary Information**

TFS is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. TFS does not have any required disclosures to this Item.

## Item 10. Other Financial Industry Activities and Affiliations

TFS is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. TFS has described such relationships and arrangements below.

### **Registered Representatives of a Broker-Dealer**

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As described above in response to Item 5, certain Supervised Persons of TFS are also registered representatives of Triad. As a result of this relationship, Triad may have access to certain confidential information (e.g., financial information, investment objectives, transactions and holdings) about TFS's clients, even if the client does not establish any account through Triad. Any client that would like a copy of the Triad privacy policy can contact TFS at the contact information on the cover page of this brochure.



## Item 11. Code of Ethics

TFS and its Supervised Persons are permitted to buy or sell securities that it also recommends to clients consistent with TFS's policies and procedures.

TFS has adopted a code of ethics in compliance with applicable securities laws ("Code of Ethics") in compliance with applicable securities laws that sets forth the standards of conduct expected of its supervised persons and requires compliance with applicable securities laws ("Code of Ethics"). It's the firm's Code of Ethics contains written policies reasonably designed to prevent certain unlawful practices such as the use of material non-public information by the firm or any of its supervised persons and the trading by the same of securities ahead of clients in order to take advantage of pending orders. The Code of Ethics also requires that certain of TFS's personnel (called "Access Persons") report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

The firm's Supervised Persons are permitted to buy or sell securities that it also recommends to clients if done in a fair and equitable manner that is consistent with the firm's policies and procedures. Unless specifically permitted in TFS's Code of Ethics, none of TFS's Access Persons may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the Access Person) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of TFS's clients.

When TFS is purchasing or considering for purchase any security on behalf of a client, no Access Person may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when TFS is selling or considering the sale of any security on behalf of a client, no Access Person may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by open-end mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more open-end mutual funds.

Clients and prospective clients may contact TFS to request a copy of its *Code of Ethics*.

## Item 12. Brokerage Practices

As discussed above, in Item 5, TFS generally recommends that clients utilize the custody, brokerage and clearing services of Fidelity and Schwab for investment management accounts.

Factors which TFS considers in recommending Fidelity, Schwab or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. Fidelity and Schwab enable TFS to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by Fidelity and Schwab may be higher or lower than those charged by other Financial Institutions.

The commissions paid by TFS's clients comply with TFS's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified Financial Institution might charge to effect the same transaction where TFS determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a Financial Institution's services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. TFS seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Transactions may be cleared through other Financial Institutions with whom TFS and the Financial Institutions have entered into agreements for prime brokerage clearing services. TFS periodically and systematically reviews its policies and procedures regarding its recommendation of Financial Institutions in light of its duty to obtain best execution.

Transactions for each client generally will be effected independently, unless TFS decides to purchase or sell the same securities for several clients at approximately the same time. TFS may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among TFS's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among TFS's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that TFS determines to aggregate client orders for the purchase or sale of securities, including securities in which TFS's Supervised Persons may invest, TFS shall do so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. TFS shall not receive any additional compensation or remuneration as a result of the aggregation. In the event that TFS determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares will be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations will be given to one

account when such account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares will be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations will be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, TFS will exclude the account(s) from the allocation; the transactions will be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares will be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist TFS in its investment decision-making process. Such research generally will be used to service all of TFS's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because TFS does not have to produce or pay for the products or services.

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**Commissions or Sales Charges for Recommendations of Securities**

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As discussed above, certain Supervised Persons in their respective individual capacities, are registered representatives of Triad. These Supervised Persons are subject to FINRA Rule 3280 which restricts registered representatives from conducting securities transactions away from their broker-dealer unless Triad provides written consent. Therefore, clients are advised that certain Supervised Persons may be restricted to conducting securities transactions through Triad unless they first secure written consent from Triad to execute securities transactions through a different broker-dealer. Absent such written consent or separation from Triad, these Supervised Persons are prohibited from executing securities transactions through any broker-dealer other than Triad under Triad's internal supervisory policies. TFS is cognizant of its duty to obtain best execution and has implemented policies and procedures reasonably designed in such pursuit.

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**Software and Support Provided by Financial Institutions**

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TFS receives from Fidelity and Schwab, without cost to TFS, computer software and related systems support, which allow TFS to better monitor client accounts maintained at Fidelity and/or Schwab. TFS receive the software and related support without cost because TFS renders investment management services to clients that maintain assets at Fidelity and/or Schwab. The software and support is not provided in connection with securities transactions of clients (i.e., not "soft dollars"). The software and related systems support may benefit TFS, but not its clients directly. In fulfilling its duties to its clients, TFS endeavors at all times to put the interests of its clients first. Clients should be aware, however, that

TFS's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits provide an incentive for TFS to choose one broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

Specifically, TFS may receive the following benefits from Fidelity through the Fidelity Registered Investment Advisor Group and Schwab through its Schwab Institutional division: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its Registered Investment Advisor Group / Schwab Institutional participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

Fidelity also makes available to the Firm, at no additional charge, certain research and brokerage services, including research services obtained by Fidelity directly from independent research companies, as selected by TFS (within specified parameters). These research and brokerage services are used by the Firm to manage accounts for which it has investment discretion.

These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a certain amount of the advisor's clients' assets are maintained in accounts at Fidelity and Schwab. Fidelity and Schwab's services include brokerage services that are related to the execution of securities transactions, custody, research, including that in the form of advice, analyses and reports, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For client accounts maintained in its custody, Fidelity and Schwab generally does not charge separately for custody services but is compensated by account holders through commissions or other transaction-related or asset-based fees for securities trades that are executed through Fidelity and Schwab or that settle into Fidelity and Schwab accounts.

Fidelity and Schwab also make available to the Firm other products and services that benefit the Firm but may not benefit its clients' accounts. These benefits may include national, regional or Firm specific educational events organized and/or sponsored by Fidelity and Schwab. Other potential benefits may include occasional business entertainment of personnel of TFS by Fidelity and Schwab personnel, including meals, invitations to sporting events, including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities. Other of these products and services assist TFS in managing and administering clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of the Firm's fees from its clients' accounts, and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all

or some substantial number of the Firm's accounts, including accounts not maintained at Fidelity and Schwab. Fidelity and Schwab also make available to TFS other services intended to help the Firm manage and further develop its business enterprise. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance and marketing. In addition, Fidelity and Schwab may make available, arrange and/or pay vendors for these types of services rendered to the Firm by independent third parties. Fidelity and Schwab may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to the Firm. While, as a fiduciary, TFS endeavors to act in its clients' best interests, the Firm's recommendation that clients maintain their assets in accounts at Fidelity and Schwab may be based in part on the benefits received and not solely on the nature, cost or quality of custody and brokerage services provided by Fidelity and Schwab, which creates a potential conflict of interest.

### **Brokerage for Client Referrals**

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TFS does not consider, in selecting or recommending broker-dealers, whether the firm receives client referrals from the Financial Institutions or other third party.

### **Directed Brokerage**

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The client may direct TFS in writing to use a particular Financial Institution to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that Financial Institution, and TFS will not seek better execution services or prices from other Financial Institutions or be able to "batch" client transactions for execution through other Financial Institutions with orders for other accounts managed by TFS (as described below). As a result, the client may pay higher transaction costs (including commissions and spreads) or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, TFS may decline a client's request to direct brokerage if, in TFS's sole discretion, such directed brokerage arrangements would result in additional operational difficulties or violate restrictions imposed by other broker-dealers.

## Item 13. Review of Accounts

### Account Reviews

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For those clients to whom TFS provides investment supervisory services, TFS monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. For those clients to whom TFS provides investment management services, account reviews are conducted on a quarterly basis. For those clients to whom TFS provides financial planning and/or consulting services, reviews are conducted on an “as needed” basis. Such reviews are conducted by one of TFS’s investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with TFS and to keep TFS informed of any changes thereto. TFS shall contact ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client’s financial situation and/or investment objectives.

### General Reports and Account Statements

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Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those clients to whom TFS provides investment advisory services will also receive a report from TFS that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance on a quarterly basis. Clients should compare the account statements they receive from their custodian with those they receive from TFS.

### Financial Planning / Consulting Reports

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Those clients to whom TFS provides financial planning and/or consulting services will receive reports from TFS summarizing its analysis and conclusions as requested by the client or otherwise agreed to in writing by TFS.

## Item 14. Client Referrals and Other Compensation

### Client Referrals

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In the event a client is introduced to TFS by either an unaffiliated or an affiliated solicitor, the Firm may pay that solicitor a referral fee in accordance with applicable state securities laws. Unless otherwise disclosed, any such referral fee is paid solely from TFS's investment management fee and does not result in any additional charge to the client. If the client is introduced to the Firm by an unaffiliated solicitor, the client will receive a solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement. Any affiliated solicitor of TFS is required to disclose the nature of his or her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of the Firm's written brochure(s) at the time of the solicitation.

### Other Economic Benefit

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TFS receives economic benefits from Fidelity and Schwab. The benefits, conflicts of interest and how they are addressed are discussed above in response to Item 12.

## Item 15. Custody

TFS's Agreement and/or the separate agreement with any Financial Institution may authorize TFS through such Financial Institution to debit the client's account for the amount of TFS's fee and to directly remit that management fee to TFS in accordance with applicable custody rules.

The Financial Institutions recommended by TFS have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to TFS. In addition, as discussed in Item 13, TFS also sends periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the Financial Institutions and compare them to those received from TFS.

### **Standing Letters of Authorization**

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TFS has custody due to clients giving the Firm limited power of attorney in a standing letter of authorization ("SLOA") to disburse funds to one or more third parties as specifically designated by the client. In such circumstances, the Firm will implement the steps in the SEC's no-action letter on February 21, 2017 which includes (in summary): i) client will provide instruction for the SLOA to the custodian; ii) client will authorize the Firm to direct transfers to the specific third party; iii) the custodian will perform appropriate verification of the instruction and provide a transfer of funds notice to the client promptly after each transfer; iv) the client will have the ability to terminate or change the instruction; v) the Firm will have no authority or ability to designate or change the identity or any information about the third party; vi) the Firm will keep records showing that the third party is not a related party of the Firm or located at the same address as the Firm; and vii) the custodian will send the client an initial and annual notice confirming the SLOA instructions.



## Item 16. Investment Discretion

In most circumstances, TFS is given the authority to exercise discretion on behalf of clients. TFS is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. TFS is given this authority through a power-of-attorney included in the agreement between TFS and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). TFS takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made; and
- The Financial Institutions to be utilized.

## **Item 17. Voting Client Securities**

TFS does not accept the authority to vote a client's securities (i.e., proxies) on their behalf. Clients receive proxies directly from the Financial Institutions where their assets are custodied and may contact the Firm at the contact information on the cover of this brochure with questions about any such issuer solicitations.

## Item 18. Financial Information

TFS is not required to disclose any financial information pursuant to this Item due to the following:

- The firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance;
- The firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The firm has not been the subject of a bankruptcy petition at any time during the past ten years.



Prepared by:

