

# FARMERS ASSET MANAGEMENT, LLC

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**This brochure provides information about the qualifications and business practices of Farmers Asset Management, LLC. If you have any questions about the contents of this brochure, please contact us at (866) 888-9739 Option 5 or via email at [Compliance@farmersassetmgmt.com](mailto:Compliance@farmersassetmgmt.com).**

**The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**Farmers Asset Management, LLC is a registered investment adviser; however, such registration does not imply a certain level of skill or training and no inference to the contrary should be made.**

**Additional information about Farmers Asset Management, LLC (CRD# 336230) also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## ITEM 1: COVER PAGE

See previous page.

## ITEM 2: MATERIAL CHANGES

The previous version of this Disclosure Brochure for Farmers Asset Management, LLC (“FAM”) was dated July 22, 2026. FAM is switching from state registration to SEC registration, and has therefore made the following material changes to this Brochure:

*Item 4 – Advisory Business* – updated to: (i) clarify language on financial planning services; (ii) revise language on termination of financial planning services; (iii) clarify disclosures regarding the services provided under the agreement with Orion Portfolio Solutions, LLC; and (iv) updated the assets under management information.

*Item 5 - Fees and Compensation* – updated to remove reference to state regulations.

*Item 8 Methods of Analysis, Investment Strategies, and Risk of Loss* – updated to remove reference to state regulations.

*Item 15 – Custody* – updated to remove reference to state regulations.

*Item 16 – Investment Discretion* – updated to remove reference to state regulations.

*Item 18 – Financial Information* – updated to change the amount on prepayment of fees to \$1,200.

*Item 19 – Requirements for State Registered Advisers* – removed since firm is switching to SEC registration. FAM encourages its clients to read this Brochure carefully and, in its entirety, and to contact us with any questions you can or will have.

FAM will ensure that its clients receive a summary of any material changes to this Brochure within 120 days of the close of FAM’s fiscal yearend. Additionally, as FAM experiences material changes in the future, we will send you a summary of our “Material Changes” under separate cover. For more information about the firm, please visit [www.farmers.com/financial/asset-management/](http://www.farmers.com/financial/asset-management/).

Additional information about FAM and its investment adviser representatives is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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#### **ITEM 4: ADVISORY BUSINESS**

Farmers Asset Management, LLC (“**FAM**” or the “**Adviser**”) is a Nevada limited liability company founded in 2025. Adviser is headquartered in Westlake Village, CA. The terms “**we**,” “**us**,” “**our**,” and “**ours**” refer to FAM, unless the context clearly indicates otherwise.

FAM is owned by FFS Holding, LLC (“**FFS Holdings**”) which is wholly owned by Mid-Century Insurance Company. Mid-Century Insurance Company is owned by three inter-insurance exchanges that are owned by their policyholders. Farmers Insurance Exchange is the majority owner of Mid-Century Insurance Company.

FFS Holdings owns Farmers Financial Solutions, LLC (“**FFS**”), an affiliate of FAM, which is registered as a Broker-Dealer with the Financial Industry Regulatory Authority (“**FINRA**”), Municipal Securities Rulemaking Board (“**MSRB**”), and State Securities Divisions. FFS is also a General Insurance Agency licensed in multiple states in which FAM operates business and is engaged in non-variable life insurance and annuity contracts.

#### **Types of Advisory Services**

FAM offers investment advisory services, which consist of financial planning and investment management services, as well as free education about investing to its clients.

#### **A. Financial Planning Services**

FAM offers advice through the presentation of financial plans. Clients using these services can receive a written financial plan providing them with a financial blueprint designed to achieve their stated financial goals and objectives. Plans can be comprehensive or focus only on specific areas of concern to a client. In general, a financial plan can address any or all of the following areas:

- Cash management  
When constructing a Cash Management Profile, FAM will identify the client’s sources of income and expenses. This profile will evaluate cash flow based on how income is currently being spent. We will then examine and itemize total income versus total expenses including taxes, to determine whether there is a surplus or deficit at the end of the year. We will use this information to make prudent recommendations regarding short-term and long-term financial goals (including debt restructuring).
- Insurance coverage  
We review existing policies and compare to current insurance needs to ensure proper coverage for life, health, disability, and long-term care.
- Death and disability planning  
For those clients desiring Risk Management and Survivors’ Needs Profiles, FAM will evaluate and project the estimated future financial needs of the surviving spouse and other dependents. We will then review available resources for income, including current insurance programs, and the economic loss associated with a death, disability, or long-term illness of either spouse. We will also identify strategies to mitigate the identified risks.

- Divorce planning

FAM will analyze a client's changing financial needs in the wake of a divorce and form a plan of action mindful of changing circumstances.

- College planning

For College Planning Profiles, FAM will help determine the estimated future cost of a college education and provide the client with various funding methods available. The College Planning Profile will also take into consideration whether financial aid will be available and potential tax implications. We will then review assets currently available and examine the specific dollar amounts that will be required on a monthly or lump sum basis. We will also project the estimated future cost of any specific university.

- Investment portfolio review and planning profile

When compiling an Investment Planning Profile, FAM will build a customized investment portfolio designed with a goal toward increasing returns and reducing risk. This model will be based on the client's time horizon, risk tolerance level, tax situation, future income needs, and goals and objectives. We will generally perform a complete analysis of the client's current portfolio and then compare it to our recommended investment portfolio. We will then suggest how the investments should be reallocated over various asset classes and the specific investment selection to implement our recommendations. We will provide a customized report that will define and assign the responsibilities of all involved parties and establish a clear understanding of the investment goals and objectives for the assets covered by the Investment Planning Profile.

- Estate and retirement planning

For clients desiring an Estate Planning Profile, FAM will calculate and evaluate the impact of estate taxes. We will assist the client in his/her goal of preserving assets today and in the future, as the client accumulates a greater amount of wealth. Specific tax savings and wealth transfer strategies will be provided in an effort to help assist the client in minimizing estate liabilities and to help ensure the client preserves his/her estate for the benefit of its intended beneficiaries. Other areas of consideration will include:

- Maximizing the Unified Credit;
- Uses of Various Wills and Trusts;
- Methods of Providing Estate Liquidity; and
- Future Growth of the Estate.

FAM's Retirement Planning Profiles identify a client's retirement goals and estimates of future income and expenses. This profile will provide the client with helpful guidance in planning for a comfortable and possibly early retirement. We will review and examine the client's current situation and the assets that will be available, including Social Security and/or other sources of income. FAM will determine the adequacy of future income and provide specific recommendations if there are any shortfalls. We will also run future growth projections, including the impact of inflation, to help increase the likelihood that the client does not outlive his/her income. Retirement Planning Profiles can also include: Social Security benefits strategies, complete investment analysis, and the impact of lifestyle choices on income requirements.

- Income distribution

Assessment of present financial situation by collecting information regarding net worth and cash flow statements, tax returns, insurance policies, investment portfolios, pension plans, employee benefit statements, etc. The firm advises on ways to reduce risk and to coordinate and organize records and estate information.

In addition, FAM offers financial planning consultation services on specific areas of concern to a client. These services can also include retirement plan consulting services to individuals wanting advice on how their plan investments should be allocated.

Additionally, FAM offers financial planning services to business entities and groups requesting educational services and financial planning seminars or individual consulting and planning services for employees or members. If individual planning or consulting services are provided, each participating employee or member will be required to execute a separate agreement with us.

Financial planning services are provided on a non-discretionary basis, and clients are under no obligation to act upon FAM's recommendations. Clients have sole discretion about whether to implement any recommendations. If you elect to act on any of the recommendations, you are under no obligation to implement such recommendations through FAM or any FAM affiliate.

When providing financial planning services, FAM gathers information from clients concerning their current financial status, goals and objectives, risk tolerance and time horizon. We may also request clients to complete a questionnaire and provide additional documentation. Depending on the level of services requested, FAM can prepare a written report.

Financial planning services can be terminated at any time upon notice of either FAM, its Advisory Representative or the client. Upon termination, clients are entitled to a refund of any prepaid unearned financial planning fees.

Clients should know that FAM has conflicts of interest when making certain financial planning recommendations since we will receive fees, compensation and/or other concessions should a client implement such recommendations through FAM and/or certain affiliates. For example, FAM will receive investment management fees should a client implement investment recommendations through us and FAM IARs will receive additional compensation as an insurance agent should a client decide to purchase any insurance product recommended by the IAR.<sup>1</sup>

To address these conflicts, our clients are under no obligation to act upon any of FAM's recommendations and retain full discretion to accept or reject any of FAM's recommendations contained in the client's financial plan, including any recommendations for the purchase of insurance products. In addition, should a client decide to implement any of our financial planning recommendations, the client is under no obligation to affect the recommendation(s) through FAM or any of our affiliates and remains free at all times to select any advisory, brokerage, and/or insurance firm to implement our recommendations.

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<sup>1</sup> Clients should be aware that certain states restrict insurance agents/producers from collecting a commission from the sell of an insurance product and collect fees for financial planning unless specific criteria is met, such as having a written financial planning agreement with the client that describes the services, the fees to be charged, and discloses that clients are under no obligation to purchase any recommended insurance product through the agent or otherwise.

In order to provide financial planning, FAM will rely upon information and data provided by the client. In our Investment Advisory Agreement, Client will acknowledge that Adviser will rely at all times upon the information provided by the client and Adviser will have no liability for a client's failure to provide accurate and complete information. If the client decides to follow FAM's recommendations, the client has the option, but is under no obligation, to request that FAM implement such recommendations through the Adviser's Investment Management Services, which are outlined below.

Clients are advised that certain assumptions are made with respect to interest and inflation rates, use of past trends and performance of the market and economy. Past performance is in no way an indication of future performance. FAM cannot offer any guarantees or promises that the client's financial goals and objectives will be met.

Certain FAM investment adviser representatives ("**IARs**") are licensed insurance agents of FFS and/or a Farmers Insurance Exchange affiliated insurance company ("**Farmers Insurance**"), and in this capacity, sell insurance products to FAM clients and the IAR believes it is in the client's best interest. Rationales for such purchases typically include, among other things, desire by the client to have an income or death benefit guarantee, ability to pay for such guarantees associated with the product, tax deferral on non-qualified funds, and/or contributions to existing annuities which receive a higher fixed rate of return. Insurance products typically sold include traditional, non-variable life insurance and annuity contracts.

Moreover, certain FAM IARs are licensed registered representatives of FFS. In this separate capacity, registered representatives may suggest that FAM clients purchase/sell variable life insurance policies, variable annuity contracts, mutual funds and municipal fund securities (529 Plans). Some FAM clients can also be clients of FFS and can hold similar investments in their managed account(s) and brokerage account(s) due to a variety of factors, including the timing of account opening or varying investment objectives between the different type of accounts. FAM strives to meet with our clients at least annually to discuss current strategies and objectives for these accounts.

If the FAM IAR, in his or her separate capacity as an insurance agent or registered representative, sells an insurance or brokerage product, that individual will earn a sales commission. Moreover, for those IARs appointed with FAM, they receive an incentive to sell Farmer's products and receive a Farmer's production credit. In addition, in the event that an insurance agent sells certain insurance products through independent third parties, that agent could receive a production credit through FFS.

The receipt of the additional compensation is a conflict of interest because the FAM IAR is incentivized since he/she will earn commission(s) and/or credits for implementing insurance and/or investment product recommendations made, rather than acts in the client's best interest. This conflict is mitigated by FAM's policies and procedures which require FAM IARs to always act in the best interest of the Adviser's clients. Please see **Items 5, 10 and 14** below for additional information concerning such conflicts.

Clients are under no obligation to transact any business through Farmers Insurance or FFS. Other advisers, insurance companies, and/or broker-dealers may offer similar services, with costs that are higher or lower than those obtainable from FAM.

## **B. Investment Management Services**

FAM provides regular and continuous investment management services and supervision of managed assets primarily to retail clients, high net worth individuals, and businesses. Clients' assets are managed primarily

on a discretionary basis, as noted in the client's Investment Advisory Agreement. If client grants Adviser discretionary authority, this means that client appoints Adviser as client's attorney-in-fact and grants Adviser limited power-of-attorney with discretionary authority to select securities to buy and sell and effect investment transactions involving client's account(s), without first consulting with the client.

For services provided on a non-discretionary basis (such as financial planning) this means that Adviser will not take any action or execute any investment recommendations without the client's authorization.

Investment portfolios consist primarily of open-end mutual funds and exchange-traded funds ("ETFs"),<sup>2</sup> Certificate of Deposits ("CDs"), and U.S. Government bonds, as well as individual stocks and fixed income investments as appropriate. Clients may impose reasonable restrictions on investing in certain types of securities. Each client is required to enter into an Investment Advisory Agreement with FAM, which sets forth the terms and conditions of the engagement, including but not limited to the services to be performed and fees to be assessed, whether we have discretionary authority, the term of the Agreement, and a statement that the Agreement cannot be assigned without the consent of the client.

### 1. General Information about FAM's Investment Management Services

At the inception of the relationship, FAM's IARs will use a Client Profile to capture important information about the client, including their investment experience, net worth, risk tolerance, time horizon and investment goals and objectives. This information, together with any other information relating to the client's overall financial circumstances, will be used by FAM to determine the most appropriate asset allocation and investment strategy to best meet the client's financial goals.

The Client Profile will also capture any investment restrictions or limitations imposed by the client. Clients should note that any investment restrictions placed on client's account(s) might affect the account(s)'s performance and limit the Adviser's ability to employ various investment strategies. This may result in investment performance that differs from that of a benchmark or other client account(s) utilizing the same or similar investment strategy.

FAM currently has an agreement with Orion Portfolio Solutions, LLC ("OPS"), which is further described below, to provide certain services, including but not limited to co-advisory services, trading, and account reporting and billing ("**OPS Agreement**").

#### *a. Orion Portfolio Solutions ("**OPS**") and Brinker Capital Investments ("**BCI**")*

Under the OPS Agreement, OPS provides reporting and administrative services through various programs and available strategies within the programs. BCI (collectively with OPS, "**Co-Advisor**") provides investment management services to our clientele through various types of investment portfolios. Under the Co-Advisor engagement, FAM can provide trading instructions for execution by the Co-Advisor (which grants Co-Advisor limited trading discretion), or alternatively utilize a portfolio made available on the Co-Advisor's platform (which is done on a fully discretionary basis). See below lists of available programs and investment portfolios.

<sup>2</sup> Mutual funds and ETFs that invest in various types of securities, such as equities, fixed income, digital assets, and/or cryptocurrencies. Investments are dependent on each mutual fund's and ETFs' specific investment strategy. Please refer to Item 8 for information on the risks associated with investing in these types of securities. Additionally, clients should read the prospectus of each mutual fund and ETF in which they invest for further information on associated risks.

OPS also is responsible for billing each client for all advisory service fees and expenses (“Investment Management Service Fees”). Investment Management Service Fees are debited from a cash or money market account, which is required to be established by the Client. See **Item 5** below for further information on Investment Management Service Fees.

The following are the most common programs and strategies selected by FAM for its clients (not all inclusive):

| <b>Program Name*</b>                          | <b>Minimum Account Size</b> | <b>Investment Manager</b>                                                       | <b>Eligible Investments</b>                                       |
|-----------------------------------------------|-----------------------------|---------------------------------------------------------------------------------|-------------------------------------------------------------------|
| <b>Programs available on the OPS Platform</b> |                             |                                                                                 |                                                                   |
| Strategist Program                            | Varies                      | Strategist funds or Models, including BCI                                       | Mutual Funds, Equities and ETPs <sup>2</sup>                      |
| SMA Program                                   | Varies                      | Strategist Models                                                               | Mutual Funds, Equities and ETPs                                   |
| Advisor Directed Program                      | \$0                         | Investment Advisor                                                              | Mutual Funds, Equities and ETPs                                   |
| Market Cycle Advised Mandates Portfolios      | \$0                         | OPS and composed of Third-Party Manager (“ <b>Strategist</b> ”) Funds or Models | Affiliated and Unaffiliated Mutual Funds                          |
| <b>Programs available on the BCI Platform</b> |                             |                                                                                 |                                                                   |
| Core Guided Portfolios                        | \$500,000                   | BCI                                                                             | Mutual Funds, Equities, ETPs, or other pooled investment vehicles |
| Core Select                                   | \$0                         | Strategist funds or models, including BCI                                       | Mutual Funds, Equities, ETPs, or other pooled investment vehicles |
| Destinations Funds                            | \$0                         | BCI                                                                             | Affiliated Mutual Funds                                           |

<sup>3</sup> Exchange Traded Products (“ETPs”) consist of Exchange Traded Funds (“ETFs”), Exchange Traded Notes (“ETNs”), Closed-End Funds (“CEFs”), Unit Investment Trusts (“UITs”), and other investments traded on an exchange, excluding individual equities.

|                                                         |           |     |                                                                                                                        |
|---------------------------------------------------------|-----------|-----|------------------------------------------------------------------------------------------------------------------------|
| Destinations ETFh                                       | \$25,000  | BCI | Unaffiliated Mutual Funds and ETPs                                                                                     |
| Destinations Hybrid Portfolio                           | \$10,000  | BCI | Affiliated Mutual Funds and ETPs                                                                                       |
| Personal Benchmark                                      | \$100,000 | BCI | Affiliated Mutual Funds                                                                                                |
| American Hybrid Strategy                                | \$25,000  | BCI | Affiliated and Unaffiliated Mutual Funds                                                                               |
| American Funds Strategy                                 | \$25,000  | BCI | Mutual Funds                                                                                                           |
| Capital Group ETF Strategies                            | \$5,000   | BCI | ETPs                                                                                                                   |
| Focused Strategies                                      | \$0       | BCI | Mutual Funds and ETPs                                                                                                  |
| Core Plus ETF Strategy                                  | \$10,000  | BCI | ETPs                                                                                                                   |
| Brinker Capital ESG Portfolios                          | \$25,000  | BCI | Mutual Funds and ETPs                                                                                                  |
| Active Income Strategy                                  | \$25,000  | BCI | ETPs, stocks, bonds, master limited partnerships, real estate, convertibles, senior bank loans, and international debt |
| Managed Income Strategy                                 | \$25,000  | BCI | ETPs                                                                                                                   |
| Digital Assets Portfolio Program                        | \$25,000  | BCI | ETPs                                                                                                                   |
| <b>Programs available on both OPS and BCI Platforms</b> |           |     |                                                                                                                        |
| Orion Custom Indexing                                   | \$100,000 | BCI | Mutual Funds, Equities, and ETPs                                                                                       |
| Tailored Allocation Portfolios                          | \$100,000 | BCI | Mutual Funds, Equities, and ETPs                                                                                       |

\* The above information is as of the date of this Disclosure Brochure. Each of these Programs is more fully described in Orion Portfolio Solutions, LLC's Form ADV Part 2A, a copy of which will be provided to each client who invests in one or more of these programs prior to investment and can also be found on Orion's website at <https://orion.com/legal-compliance>. The fees associated with each of these programs are found in **Item 5**, below.

*b. Individual Portfolio Management Services*

When FAM provides Individual Portfolio Management Services, FAM will primarily buy, sell, and trade

in mutual funds, ETFs, stocks, bonds, index funds, and cash instruments on a discretionary basis. Pursuant to this discretionary authority, Adviser will invest, sell, and reinvest proceeds in client account(s), at FAM's discretion, without obtaining Client's prior confirmation of any proposed action. FAM will also give instructions in furtherance of such trading authority to brokers, dealers, and/or other parties necessary to effect such transactions on behalf of the client's account(s) without notifying client.

In providing these services, FAM IARs will, in most cases, select an independent manager (a "**Sub-Adviser**") to manage a portion of or your entire portfolio in a particular strategy to meet the client's objectives. Generally, these consist of capital appreciation, preservation, growth, and/or income. If a Sub-Adviser is selected, the client will receive a copy of the Sub-Adviser's Form ADV Part 2A which will contain important information about the Sub-Adviser's style of management, conflicts of interest, and associated fees. FAM will also be responsible for asset allocation designs, portfolio monitoring, and ongoing due diligence of the Sub-Adviser. As FAM will be responsible for monitoring all aspects of the Sub-Adviser, based on performance and other factors, FAM can terminate the relationship with a Sub-Adviser at any time and/or add a new Sub-Adviser to manage a client's account without the client's consent.

Please refer to **Items 5** and **8** for further information related to fees and FAM's method of analysis and investment strategies, including risks surrounding the types of investments used by the Adviser.

## **2. Important Information Relating to FAM's Services**

The information provided by the client, together with any other information relating to the client's overall financial circumstances, will be used by the firm to determine the appropriate portfolio asset allocation and investment strategy for each client. FAM does not assume any responsibility for the accuracy of the information provided by the client and is not obligated 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. Under all circumstances, clients are responsible for promptly notifying FAM in writing of any material changes to the client's financial situation, investment objectives, time horizon, or risk tolerance. If a client notifies FAM of changes in the client's financial circumstances, it will review such changes and implement any necessary revisions to the client's portfolio.

At the time of or prior to engaging the Adviser, the client will be provided with a disclosure brochure (Form ADV Part 2A) and one or more brochure supplements (ADV Part 2B). At no time will FAM accept or maintain physical custody of a client's funds or securities.

## **C. Wealth Advisory Services**

FAM offers Wealth Advisory Services to investment management clients with \$1 million or more of investable assets that need enhanced tailored advisory services, in addition to portfolio management. Our Wealth Advisory Services include the following:

- Insurance Needs Analysis
- Estate Planning Review
- Additional Meetings with FAM Advisor
- Tax Optimization Planning

Clients are able to choose which Wealth Advisory Services they would like to receive, and their selection is contained in the Investment Advisory Agreement.

**D. Participation in Wrap Fee Program**

FAM does not provide portfolio management services through wrap fee programs and does not sponsor any wrap programs.

**E. Assets Under Management**

As of 10/5/2026, FAM has the following assets under management.

| Assets under Management |                    |
|-------------------------|--------------------|
| Discretionary           | \$7,652,089        |
| Non-Discretionary       | \$0                |
| <b>Total</b>            | <b>\$7,652,089</b> |

**ITEM 5: FEES AND COMPENSATION**

**A. Financial Planning Fees**

For our Financial Planning Services, FAM will charge either an hourly rate or a fixed fee, as negotiated with each client in advance.

The Adviser's hourly fee will be billed in the range of \$200 to \$1000 per hour depending on the complexity of the plan. Hourly fee-based clients are billed monthly upon completion of work performed each month, unless a different fee payment arrangement has been agreed upon between the client and FAM. The Adviser will send an invoice at the end of each calendar month outlining the fee amount due and the method of calculation. Clients have the option to pay either by check, credit card, or ACH payment.

Fixed fees for our Financial Planning Service ranges from \$500 to \$5,000 and will be charged either as a one-time fee or will require 50% in advance upon signing the Agreement as an initial payment, with the remainder 50% payment due upon the completion and delivery of the plan, in accordance with the terms outlined in the client's Investment Advisory Agreement. The fee amount is determined based on a number of factors, including the time involved and the scope and complexity of the services to be performed, as discussed with the client. Fixed fee clients will receive an invoice from the Adviser And clients have the option to pay either by check, credit card, or ACH payment. In the event of termination before delivery of the final plan, FAM will provide an invoice to the client outlining the fee amount for the work completed through the date of termination, minus any prepaid fees and will timely rebate any prepaid unearned financial planning fees. Any earned unpaid financial planning fees will be due and payable upon receive of the invoice.

FAM will not accept prepayment of more than \$1,200 per client six or more months in advance of providing any services. However, should this occur, we will comply with federal regulations and will include a Balance Sheet within this Part 2A Brochure.

Clients should understand that they may be able to obtain similar services from other providers for a lower fee. FAM encourages clients to consider this carefully prior to investing.

## **B. Investment Management Fees**

Clients are charged fees based on particular type(s) of advisory service provided (“**Investment Management Fees**”). These Fees are set forth in each client's written Investment Advisory Agreement and are further detailed below. Although the Firm believes these fees are competitive, clients should be aware that lower fees for comparable services are available from other sources.

For Investment Management Services, clients are charged an annual Investment Management Fee that is based upon a percentage of the client's assets under management (“**AUM**”) with FAM and calculated and billed as described further below.

Pursuant to the terms of client's Investment Advisory Agreement, clients authorize OPS to debit its payment for the Investment Management Fees from the client's account(s). Thus, unless otherwise agreed to by us, FAM will instruct OPS to facilitate with the client's custodian the deduction of the Investment Management Fees directly from the client's account(s), which will be reflected on the client's custodial statement. Under certain conditions (such as for friends and family of the firm), FAM may, at its sole discretion, choose to waive its fee. Moreover, fees are negotiable at the sole discretion of Adviser.

For fee billing purposes only, the value of a client's AUM will be aggregated with the AUM values of all custodian accounts at the same residential address (collectively, a “**Household**”), which will potentially lower the applicable Investment Management Fee assessed. FAM has no minimum annual fee for Investment Management Services.

For its portion of the Investment Management Fee, FAM charges advisory fees that range from **0.35% to 1.25%** of a client's AUM. This amount includes Portfolio Management Fees and Wealth Advisory Services Fees described below but is exclusive to what is assessed by OPS and BCI as the Manager/Program Fee, and FAM's Administrative and Technology Fees (see further below for descriptions).

The total Investment Management Service Fee assessed will take into account FAM's fee, the OPS/BCI or Manager / Program Fee, and any administrative and technology fees that are assessed by the OPS Platform, as set forth in the client's Investment Advisory Agreement. No Investment Management Service Fee will exceed **2.50%**.

### *1. Fees for Orion Portfolio Solutions (“**OPS**”) and Brinker Capital Investments (“**BCI**”) Program*

Clients that use OPS Program will be billed in arrears, while clients using the BCI Program will be billed in advance.

For any client's Account(s) on the BCI Platform, the initial fee is based on the market value of each client account when it is opened and prorated for the number of days remaining in the calendar quarter. Thereafter, the quarterly Investment Management fee is due on the first business day of each quarter and is based on the market value of the client's account on the last business day of the immediately preceding quarter. When a client's Investment Management fee is billed in advance, the clients generally are billed for additional monies added to their account(s) during the quarterly billing period. No adjustments to a

client's Investment Management fee will be made for monies withdrawn during the advisory fee period. Upon termination, BCI will issue the terminating client a refund of all unearned Investment Management fees that were paid in advance at the beginning of the affected billing quarter. The Investment Management fee is prorated from the beginning of that billing quarter to the effective date of termination.

| BCI Program                   | Wrap Fee Eligible | Account Minimum | Brinker Fee Component*                                                                    | Strategist Fee Component* |
|-------------------------------|-------------------|-----------------|-------------------------------------------------------------------------------------------|---------------------------|
| Destinations Funds            | No                | \$10,000        | None; management fee is received directly from Destination Funds                          | None                      |
| Personal Benchmark            | No                | \$100,000       |                                                                                           | None                      |
| Destinations Hybrid Portfolio | No                | \$10,000        | First \$100,000 - 0.35%<br>\$100,000 to \$250,000 - 0.30%<br>\$250,000 to \$1 Mil - 0.20% | None                      |
| Destinations ETFh             | Yes               | \$25,000        |                                                                                           | 0.10%                     |
| American Funds Strategy       | No                | \$25,000        | Over \$1 Mil - 0.10%                                                                      | 0.25%                     |
| Capital Group ETF Strategies  | Yes               | \$5,000         |                                                                                           | 0.10%                     |
| American Hybrid Portfolios    | No                | \$25,000        |                                                                                           | 0.10%                     |
| Digital Assets Portfolio      | Yes               | \$25,000        | Same as above                                                                             | 0.25%                     |

\* This information presented is as of the date of this Disclosure Brochure. Please review the Orion Portfolio Solutions, LLC Disclosure Brochure (Form ADV Part 2A) carefully to understand BCI's Program fees.

For any Client's Account(s) on the OPS Platform, Investment Management Fees are calculated and billed monthly in arrears by OPS and are based on the average daily balance of the market value the Client's Account(s) during the previous month. No fee adjustments are made for additions or withdrawals from a Client's Account(s) on the OPS Platform.

| OPS Program                    | Wrap Fee Eligible | Account Minimum                     | OPS Admin Fee Component*                                                               | Strategist Fee Component*                                                                                   |
|--------------------------------|-------------------|-------------------------------------|----------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|
| Market Cycle Advised Mandate   | Yes               | \$0                                 | None                                                                                   | None                                                                                                        |
| Tailored Allocation Portfolios | Yes               | \$100,000                           | None                                                                                   | None – Unaffiliated Strategists whose funds or models utilized pay OPS a fee for inclusion in the platform. |
| Strategist Program             | Yes               | \$0                                 | First \$100,000 - 0.35%                                                                | Varies                                                                                                      |
| SMA Program                    | Yes               | Varies – Minimums set by Strategist | \$100,000 to \$250,000 - 0.30%<br>\$250,000 to \$1 Mil - 0.20%<br>Over \$1 Mil - 0.10% | Varies                                                                                                      |

\* This information presented is as of the date of this Disclosure Brochure. Please review the Orion Portfolio Solutions, LLC Disclosure Brochure (Form ADV Part 2A) carefully to understand OPS's Program fees.

Clients should carefully review all fees charged by OPS/BCI, FAM, and any funds the client is invested in to fully understand the total amount of fees that are paid. It is the client's responsibility to verify the accuracy of the fee OPS/BCI and FAM charges to their account. The fee OPS/BCI collects will appear on the client's custodial statement, though the custodian does not determine whether the fee has been properly calculated. Fees charged by OPS/BCI are separate and distinct from fees and expenses charged by FAM, mutual funds or ETFs traded within the Strategist Models, or a Strategist providing a Strategist Model. A description of mutual fund or ETF fees and expenses are available in each fund's prospectus. Please note that OPS/BCI uses the lowest cost share class that is available at all custodians where the strategy is available. Therefore, it is possible that a particular custodian may offer a lower cost share class, but it will not be used in the strategy because not all of the other available custodians offer that share class for the strategy. OPS/BCI fees can be changed with 30 days' prior written notice. OPS/BCI assesses a \$75 termination fee per account for full outgoing distributions or non-ACAT transfers.

## *2. Fees for Individual Portfolio Management*

For Individual Portfolio Management services described in Item 4 above, FAM charges an annual fee of up to 1% of a client's AUM. The percentage that will be charged is negotiated with each new client and based on a number of factors, including but not limited to the types of investments utilized, the amount of client's AUM, and the complexity of portfolio management services provided.

FAM's fees are included in the client's total Investment Management Services Fee, which is outlined in the client's Investment Advisory Agreement.

Fees for Portfolio Management Services are calculated and billed monthly in arrears by OPS. The client's annual percentage rate is divided by 12 and then multiplied by the average daily balance of the market value the client's account(s) during the previous month. No fee adjustments are made for additions or withdrawals from a client's account. OPS provides a billing statement to the client's custodian for debiting the fee from client's account. At the same time, OPS will send each client an informational invoice reflecting the amount of the monthly fee and the method of calculation. Please note that clients, and not the custodian(s), are responsible for verifying the accuracy of the fee calculations.

## *3. Wealth Advisory Services Fees*

For Wealth Advisory Services described in Item 4 above, FAM charges an annual fee per selected service that is based on a percentage of the client's AUM. The percentage fee for each service is as follows:

| <b><u>Service</u></b>                | <b><i>Annual Percentage Fee</i></b> |
|--------------------------------------|-------------------------------------|
| Insurance Needs Analysis             | 0.10%                               |
| Estate Planning Review               | 0.15%                               |
| Additional Meetings with FAM Advisor | 0.10%                               |
| Tax Optimization Planning            | 0.15%                               |

Fees for Wealth Advisory Services are calculated and billed in the same manner as FAM's Portfolio Management Services fee, as describe in #2 above.

### *3. Administrative and Technology Fees*

FAM applies an annual administrative fee, which ranges from 0.14% to 0.27%, depending on a client's household AUM, to cover override fees and the costs of supplemental reporting and outsourced services.

Wealth advisory services are available for clients with \$1 million or more of investable assets that need enhanced tailored investment needs. The fee for this service is .35%, which is separate from the above fee schedule. However, while the base administrative fee will be increased by .35%, under these circumstances, FAM's base advisory fee would be reduced by .35%, thus having little to no impact on the overall advisory fees assessed to Clients.

In addition to the above administrative fees, FAM charges an annual technology fee of 0.11% of a client's AUM, to cover the platform fees charged by OPS.

These fees are calculated and billed in the same manner as FAM's Portfolio Management Services fee, as describe in #2 above.

Clients who have held-away assets and wish to receive combined reporting of both FAM and held-away assets will be charged an annual flat fee of \$18 per account. This fee will be debited from the Client's account, reflected on the client's invoice and can be waived by the FAM IAR or FAM in their sole discretion.

### **C. General Information on FAM's Compensation and Fees**

Clients will incur certain fees or charges imposed by third-parties other than FAM in connection with investments or recommendations made by the Adviser. These fees and charges are separate and distinct from the fees or charges stated above and will include, but not be limited to: mutual fund 12b-1 fees, certain deferred sales charges on previously purchased mutual funds transferred into the account, other transaction related fees, IRA and Qualified Retirement Plan fees, "spreads" imposed by brokers and dealers representing implicit transaction costs, commissions and transfer taxes. Information regarding fees or charges assessed by any mutual funds held in client accounts is available in the appropriate prospectus. FAM is not responsible for, and does not receive any portion of, the fees imposed by such third parties. Please note, such fees will differ from client to client based on their own unique situation and selection of products and services.

As mentioned in **Item 4** above, FAM IARs are also registered representatives of FFS, a broker-dealer registered with the SEC and member of FINRA. In this capacity, the IARs, in addition to implementing certain financial planning recommendations, are able to place Investment Management Services' clients in investment products sold through FFS and receive a usual and customary commissions for doing so. Many such products have commissions and are sold through a prospectus.

Moreover, FAM IARs are also licensed insurance agents of FFS and/or Farmers Insurance. As a licensed insurance agent, FAM IARs recommend to clients certain insurance products and will receive the usual and customary commission for doing so. Please review your IAR's Form ADV Part 2B for more information.

To the extent that the IAR recommends the purchase of securities, insurance or other investment products

where the IAR receives commissions for doing so (which will only occur in a non-advisory account), a conflict of interest exists because the IAR receives compensation should the clients elect to follow the IAR's recommendations, even if such a recommendation is based on the best interest of the clients and their needs. FAM has adopted certain procedures designed to mitigate the effects of these conflicts. For example, as part of FAM's fiduciary duty to clients, IARs must endeavor at all times to put the interests of clients first, and recommendations will only be made to the extent that they are reasonably believed to be suitable and in the best interests of the client. Additionally, material conflicts presented by these practices are disclosed to clients at the time of entering into any new advisory arrangement. Clients are under no obligation to transact in a brokerage or insurance product through an FAM IAR who is a registered representative or insurance agent.

As stated above, the Investment Management fees under the BCI Platform are billed in advance. Either party, upon written notice to the other, may terminate the relationship and the services to be performed by the Adviser. In these circumstances, FAM's Investment Management fees will be prorated through the date of termination and any remaining, unearned fees will be refunded to the client in a timely manner.

The advisory fees charged for FAM's Investment Management Services and Financial Planning Services are calculated as described above and are not charged based on a share of capital gains or assessed a performance fee. Clients should review the fees charged by the investments (e.g., mutual funds), the fees charged by the FAM, and fees charged by other third parties (including OPS and BCI) to fully understand the total amount of fees being paid. Only then will the client be able to fully evaluate the advisory services being provided and the fees being paid.

Although FAM believes that its fees are competitive, clients should understand that lower fees for comparable services may be available from other sources and firms. Please refer to **Item 10** below for additional important information.

### *1. Important Information Related to Mutual Fund and ETF Fees*

Client assets invested in mutual funds and/or ETFs will be subject to certain fees and expenses imposed directly by mutual funds and ETFs to their shareholders, which are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and/or a distribution fee (e.g., 12b-1 fees). These fees are referred to as a fund's "expense ratio" and are deducted at the mutual fund level when calculating the fund's net asset value ("NAV"). The deduction of these fees has a direct bearing on the fund's performance. If a mutual fund also has sales charges, a client will pay initial or deferred sales or surrender/redemption charges. Neither FAM nor FAM IARs receive any compensation, including 12b-1 fees, from any mutual funds invested in by FAM advisory clients in their managed accounts. However, when a FAM client has an FFS brokerage account and invests in a mutual fund share class with a 12b-1 fee, such fee is paid to the FAM IAR, in his/her capacity as a registered representative of FFS. This fee is paid on an ongoing basis until such time as the mutual fund is sold, the shares are exchanged into a share class with no 12b-1 fees, or the FFS account is closed. Please refer to **Item 14** for further information regarding additional compensation received by FAM IARs, the surrounding conflicts, and the steps FAM takes to address these conflicts.

In addition, certain open-end mutual funds offer different share classes of the same fund and one share-class can have an expense ratio and sales/redemption fees that are higher than another share class. The most economical share class will depend on certain factors, including but not limited the amount of time the shares are held by a client and the amount a client will be investing. Mutual fund expense ratios and

sales/redemption fees vary by mutual fund, so it is important to read the mutual fund prospectus to fully understand all the fees charged.

Please refer to the Orion Portfolio Solutions, LLC Form ADV Part 2A for important information related to additional fees and considerations for mutual fund and ETF investments used within the OPS Platform and BCI Program.

## *2. Important Information Related to Broker-Dealer/Custodian Fees*

FAM clients will incur brokerage commissions and other execution costs charged by their custodian or executing broker-dealer in connection with transactions for a client's account(s), unless otherwise waived by the custodian or executing broker-dealer. Clients should understand that all custodial fees and any other charges, fees and commissions incurred in connection with investments and transactions for a client's account(s) will be paid out of the assets in the account(s) and are exclusive of and in addition to the Investment Management Fees charged by FAM. We do not share in or receive any of these fees. Please refer to **Item 12** of this Brochure titled "Brokerage Practices" for additional important information about the brokerage and transactional practices of FAM.

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

FAM does not charge performance-based fees, fees based on a share of capital gains on or capital appreciation of the assets of a client (such as a client that is a hedge fund or other pooled investment vehicle).

## **ITEM 7: TYPES OF CLIENTS**

FAM offers its services to retain clients, high net worth individuals, retirement plans, corporations, and other business entities.

FAM does not have any minimum asset requirements for opening or maintaining an account with the Adviser.

When FAM provides investment advice to a client, we are deemed a fiduciary under certain federal regulations, and 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. The way the Adviser makes money creates conflicts of interest; however, as a fiduciary, FAM and our supervised persons are required to always act in our clients' best interests, which means we must, at a minimum, take the following steps:

- Meet a professional standard of loyalty and care when making investment recommendations.
- Always put our clients' interests ahead of our own when making recommendations and providing services.
- Disclose all conflicts of interest and how the Firm addresses such conflicts.
- Adopt and follow policies and procedures designed to help ensure that we give advice and provide services that remain in each client's best interest.
- Charge an advisory fee that is reasonable for our services.
- Not provide, or withhold, any information that could render our advice and/or services misleading.

If a client's account is a pension or other employee benefit plan governed by the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), FAM may be a fiduciary to the plan. In providing our investment advisory services, the sole standard of care imposed upon us is to act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. The Adviser will provide certain required disclosures to the "responsible plan fiduciary" (as such term is defined in ERISA) in accordance with Section 408(b)(2), regarding the services we provide and the direct and indirect compensation we receive by such clients. Generally, these disclosures are contained in this Form ADV Part 2A, the client Agreement and/or in separate ERISA disclosure documents and are designed to enable the ERISA plan's fiduciary to: (1) determine the reasonableness of all compensation received by FAM; (2) identify any potential conflicts of interests; and (3) satisfy reporting and disclosure requirements to plan participants.

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

### Method of Analysis

The Adviser utilizes fundamental and technical analysis techniques in formulating investment advice or managing assets for clients.

- *Fundamental analysis* of businesses involves analyzing its financial statements and health, its management and competitive advantages and its competitors and markets. Fundamental analysis is performed on historical and present data but with the goal of making financial forecasts. There are several possible objectives; to conduct a company stock valuation and predict its probable price evolution; to make a projection on its business performance; to evaluate its management and make internal business decisions and to calculate its credit risk.
- *Technical analysis* is a method of evaluating securities by relying on the assumption that market data, such as charts of price, volume and open interest can help predict future (usually short-term) market trends. Technical analysis assumes that market psychology influences trading in a way that enables predicting when a stock will rise or fall.

Please note that the OPS Platform and BCI Program use additional methods of analysis, including charting analysis, quantitative analysis, cyclical analysis, and modern portfolio theory, in addition to fundamental analysis and technical analysis. Please refer to the Orion Portfolio Solutions, LLC Form ADV Part 2A (<https://adviserinfo.sec.gov/firm/summary/107975>) for additional information.

As mentioned in **Item 4** above, FAM recommends and/or invest clients' assets in mutual funds, ETFs, stocks, bonds, index funds, and cash instruments. The investment strategies the Adviser will implement for each client are based on the client's overall investment objectives and guidelines, along with their risk tolerance and time horizon. They are generally geared toward long-term investing; however, they can at times include short-term purchases of securities. Importantly, short-term investing carries certain risks. For example, while stocks have historically outperformed bonds over the long term, they can fluctuate a lot over the short term as a result of various factors, such as those affecting the individual companies, applicable industries, or the securities market as a whole. Long-term investing also carries risks, which include but are not limited to market risk, inflation risk, and management risk, along with risks associated

with the types of securities held in a portfolio. Please also refer to “Risk of Loss” below for details on these and additional associated risks. Please also refer to Item 8 of Orion Portfolio Solutions, LLC Form ADV Part 2A for information on the risks surrounding their strategies.

Clients should be aware that with any trading that occurs in the client account, the client will incur transaction and administrative costs, which can affect performance. Short-term investing can further affect the overall performance of a portfolio, especially since there are additional costs due to more frequent trading. Please refer to **Item 5** above for further information regarding additional fees that are exclusive of the fees charged by FAM. Clients can also be subject to short-term capital gains taxes on any profits when securities are held for less than one year.

Pursuant to federal regulations, FAM and its investment adviser representatives have disclosed all material conflicts of interest that could reasonably be expected to impair the rendering of unbiased and objective advice.

### *Risk of Loss*

Investing in securities involves a significant risk of loss which clients should be prepared to bear. FAM’s investment recommendations are subject to various market, currency, economic, political and business risks, and such investment decisions may not always be profitable. Clients should be aware that there can be a loss or depreciation to the value of the client’s account. There can be no assurance that the client’s investment objectives will be obtained and no inference to the contrary should be made.

Generally, the market value of stocks will fluctuate with market conditions, and small-stock prices generally will fluctuate more than large-stock prices. The market value of fixed income securities will generally fluctuate inversely with interest rates and other market conditions prior to maturity. Fixed income securities are obligations of the issuer to make payments of principal and/or interest on future dates, and include, among other securities, bonds, notes and debentures issued by corporations; debt securities issued or guaranteed by the U.S. government or one of its agencies or instrumentalities, or by a non-U.S. government or one of its agencies or instrumentalities; municipal securities; and mortgage-backed and asset-backed securities. These securities may pay fixed, variable, or floating rates of interest, and may include zero coupon obligations and inflation-linked fixed income securities. The value of longer duration fixed income securities will generally fluctuate more than shorter duration fixed income securities. Investments in overseas markets also pose special risks, including currency fluctuation and political risks, and it may be more volatile than that of a U.S. only investment. Such risks are generally intensified for investments in emerging markets. Small-cap stocks are subject to a higher degree of risk than more established companies’ securities. The illiquidity of the small-cap market may adversely affect the value of these investments.

Some of the ETFs and mutual funds that FAM invest in or recommend for clients employ alternative or riskier strategies, such as the use of leverage or hedging. Leverage is the use of debt to finance an activity. For example, leverage is used when one uses margin to buy a security. Hedging on the other hand occurs when an investment is made to reduce the risk of adverse price movements in a security. For example, hedging is used when one takes an offsetting position in a related security, such as a short sale. While leverage or hedging can operate to increase rates of return, it also increases the amount of risk inherent in an investment. Other ETFs and mutual funds employ other alternative techniques which carry inherent higher degrees of risks.

While FAM generally does not recommend investing in ETFs that employ leverage (also referred to as “Leveraged ETFs”), FAM will do so upon a client request but only when FAM has determined that the investment would be suitable for the clients. These investments are meant for short-term investing and are inherently more volatile than long-term investing and carry additional risks and costs, so it is important for a client to read the respective prospectus in order to fully understand all the risks pertaining to these investment vehicles.

There are additional risks involved in the securities we recommend. Performance can be impacted by a number of different market risks, including:

- *Stock market risk*, which is the chance that stock prices overall will decline. The market value of equity securities will generally fluctuate with market conditions. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. Prices of equity securities tend to fluctuate over the short term as a result of factors affecting the individual companies, industries or the securities market as a whole. Equity securities generally have greater price volatility than fixed income securities.
- *Equity Risk*, which is the risk that stock prices can fall over short or extended periods of time. Historically, the equity markets have moved in cycles, and the value of each strategy’s equity securities can fluctuate significantly from day-to-day. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments. The prices of securities issued by such companies can suffer a decline in response. These factors contribute to price volatility, which is the principal risk of investing in the strategies we offer.
- *Fixed Income*, investments generally pay a return on a fixed schedule, though the amount of the payments can vary. This type of investment can include corporate and government debt securities, leveraged loans, high yield, and investment grade debt and structured products, such as mortgage and other asset-backed securities, although individual bonds may be the best-known type of fixed income security. In general, the fixed income market is volatile and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.). Fixed income securities also carry inflation risk, liquidity risk, call risk, and credit and default risks for both issuers and counterparties. The risk of default on treasury inflation protected/inflation linked bonds is dependent upon the U.S. Treasury defaulting (extremely unlikely); however, they carry a potential risk of losing share price value, albeit rather minimal. Risks of investing in foreign fixed income securities also include the general risk of non-U.S. investing described below.
- *Alternative Investment Mutual Funds* are speculative and involve substantial risks. It is possible that investors may lose some or all of their investment. Please review the mutual fund prospectus for the risks associated with each alternative mutual fund.
- *Sector risk*, which is the chance that significant problems will affect a particular sector, or that returns from that sector will trail returns from the overall stock market. Daily fluctuations in specific market sectors are often more extreme than fluctuations in the overall market.

- *Issuer risk*, which is the risk that the value of a security can decline for reasons directly related to the issuer, such as management performance, financial leverage, and reduced demand for the issuer's goods or services.
- *Non-diversification risk*, which is the risk of focusing investments in a small number of issuers, industries or foreign currencies, including being more susceptible to risks associated with a single economic, political or regulatory occurrence than a more diversified portfolio might be.
- *Value investing risk*, which is the risk that value stocks may not increase in price, may not issue the anticipated stock dividends, or can decline in price, either because the market fails to recognize the stock's intrinsic value, or because the expected value was misgauged. If the market does not recognize that the securities are undervalued, the prices of those securities might not appreciate as anticipated. They also can decline in price even though in theory they are already undervalued. Value stocks are typically less volatile than growth stocks but can lag behind growth stocks in an up market.
- *Smaller company risk*, which is the risk that the value of securities issued by a smaller company can go up or down, sometimes rapidly and unpredictably as compared to more widely held securities. Investments in smaller companies are subject to greater levels of credit, market, and issuer risk.
- *Foreign (non-U.S.) investment risk*, which is the risk that investing in foreign securities can result in the portfolio experiencing more rapid and extreme changes in value than a portfolio that invests exclusively in securities of U.S. companies. Investments in emerging markets are generally more volatile than investments in developed foreign markets.
- *Interest rate risk*, which is the chance that prices of fixed income securities will decline because of rising interest rates. Similarly, the income from fixed income securities can decline because of falling interest rates.
- *Inflation risk*, which is the loss of purchasing power through a general rise in prices.
- *Credit risk*, which is the chance that an issuer of a fixed income security will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that fixed income security to decline.
- *Mutual Fund risk*, an investment in a mutual fund involves risk, including the potential loss of principal. Mutual fund shareholders are subject to, among others, the risks associated with the fund's underlining portfolio securities. These risks vary depending on the types of securities held in a mutual fund's portfolio and are outlined in each fund's prospectus, which should be read fully by investors.
- *Exchange Traded Fund (ETF) risk*, which is the risk of an investment in an ETF, including the possible loss of principal. ETFs typically trade on a securities exchange and the prices of their shares

fluctuate throughout the day based on supply and demand, which may not correlate to their net asset values. Although ETF shares will be listed on an exchange, there can be no guarantee that an active trading market will develop or continue. Owning an ETF generally reflects the risks of owning the underlying securities it is designed to track. ETFs are also subject to secondary market trading risks. In addition, an ETF may not replicate exactly the performance of the index it seeks to track for a number of reasons, including transaction costs incurred by the ETF, the temporary unavailability of certain securities in the secondary market, or discrepancies between the ETF and the index with respect to weighing of securities or number of securities held.

- *Leveraged ETFs risk*, these investments are inherently more volatile than similar investments that do not use leverage. Returns, whether positive or negative, will be amplified in a levered investment. When the markets experience a meaningful price decline, levered ETFs will go through a period of amplified negative returns. This makes this kind of investment unsuitable to hold on a long-term basis or indefinitely. In addition, because of certain characteristics of leveraged ETFs, these funds are subject to larger potential losses than gains.
- *Digital Asset risk*, Digital Assets include but are not limited to cryptocurrencies, crypto-assets, and digital tokens. There are a number of different types of risks associated with digital assets. These include but are not limited to lack of regulation, complexities of the various digital asset products, imbedded conflicts of interest, legal risk, operational risk, storage risk, cybersecurity risk, market risk, volatility risk, liquidity risk, counterparty risk, valuation risk, and fraud risk.
- *Options risk*, which is the risk that options can be subject to greater fluctuations in value than an investment in the underlying securities. Options and other derivatives may be subject to counterparty risk and can also be illiquid and more difficult to value. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.
- *Management risk*, which is the risk that the investment techniques and risk analyses applied by FAM may not produce the desired results and that legislative, regulatory, or tax developments, can affect the investment techniques available to FAM. There is no guarantee that a client's investment objectives will be achieved.
- *Leverage/Margin risk*, which is the risk that the use of borrowed capital, such as margin, to increase the potential return of an investment can increase the risk of an investment and can magnify the effect of any losses. The use of leverage is a speculative technique and may not be suitable for all investors. Using borrowed money (whether through trading on margin or any other method of borrowing) to finance the purchase of securities involves interest charges and entails greater risk than using cash resources only. Below are specific risks that should be considered by investors when deciding to open a margin account:

⇒ **An investor can lose more assets than you deposit in the margin account.** A decline in the value of securities that are purchased on margin may require you to provide additional monies to the account to avoid the forced sale of those securities or other securities in the margin account.

- ⇒ **The brokerage firm can force the sale of securities in the account.** If the equity in an investor's margin account falls below the maintenance margin requirements under the law or the brokerage firm's higher "house" requirements the brokerage firm can sell the securities in the investor's account to cover the margin deficiency. Investors also are responsible for any short fall in the account after such a sale.
- ⇒ **The brokerage firm can sell an investor's securities without contacting the investor.** Some investors mistakenly believe that a brokerage firm must contact them for a margin call to be valid, and that the brokerage firm cannot liquidate securities in their accounts to meet the call unless such firm has contacted them first. This is not the case. As a matter of good customer relations, most brokerage firms will attempt to notify their customers of margin calls, but they are not required to do so.
- ⇒ **Investors are not entitled to an extension of time on a margin call.** While an extension of time to meet initial margin requirements may be granted to an investor by the brokerage firm under certain conditions, they are not required to provide any extension. In addition, they also are not required to provide an extension of time to meet a maintenance margin call.
- *Loss of Capital.* Any investment in securities is subject to risk of loss of capital. The value of the portfolio will fluctuate based upon changes in value of the underlying securities.
- *Uncertain Economic, Social and Political Environment.* Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises, or other sources of political, social, or economic unrest. Such erosion of confidence may lead to or extend a localized or global economic downturn. A climate of uncertainty may reduce the availability of potential investment opportunities, financing options, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. In addition, limited availability of credit for consumers, homeowners, and businesses, including credit used to acquire businesses, in an uncertain environment or economic downturn may have an adverse effect on the economy generally and on the ability of each of the Funds to execute their respective strategies. This may slow the rate of future investments by a Fund and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn may have an adverse effect upon a Fund's investments.
- *Outbreaks of Infectious or Contagious Diseases.* Pandemics and other widespread public health emergencies, including outbreaks of infectious diseases such as SARS, H1N1/09 flu, avian flu, Ebola and the current outbreak of COVID-19 have and are resulting in market volatility and disruption, and future such emergencies have the potential to materially and adversely impact economic production and activity in ways that are impossible to predict, and could have a significant adverse impact on the Firm and their investments and could adversely affect the Firm's ability to fulfill its investment objectives.
- *Reliance on Technology; Cybersecurity Risk; Back-up Measures.* FAM operation is dependent on various computer and telecommunications technologies, many of which are provided by or are dependent upon third parties such as data feed, data center, telecommunications, or utility providers.

- The successful deployment, implementation, and/or operation of such activities and strategies, and various other critical activities, could be severely compromised by system or component failure, telecommunications failure, power loss, a software-related “system crash”, unauthorized system access or use (such as “**hacking**”), computer viruses and similar programs, fire or water damages, human errors in using and accessing relevant systems, or various other events or circumstances. It is not possible to provide comprehensive and foolproof protection against all such events, and no assurance can be given about the ability of applicable third parties to continue providing their services. Any event that interrupts such computer and/or telecommunications systems or operations could have a material adverse effect on clients, including by preventing FAM or its affiliates from trading, modifying, liquidating, and/or monitoring its clients’ investments. In addition, clients should be aware of the risk of attempted cyber-attacks, including denial-of-service attacks, and harm to technology infrastructure and data from misappropriation of corruption. Due to FAM’s interconnectivity with third-party vendors, central agents, exchanges, clearing houses, and other financial institutions, it could be adversely impacted if any of them is subject to a cyber-attack or other information security event. Although it takes protective measures and endeavors to modify its operations as circumstances warrant, computer systems, software, and networks may be vulnerable to unauthorized access, issues, computer viruses or other malicious code, and other events that could have a security impact. FAM has certain backup measures in place for such disruptions, but no assurance can be given that these plans will be realized, or that the Adviser would be able to resume operations following a business disruption.

While this information provides a synopsis of the risks that may affect a client’s portfolio, this list is not exhaustive. Please also refer to the Orion Portfolio Solutions, LLC Form ADV Part 2A for additional information related to the OPS Platform and BCI Program.

Clients are advised that they should only commit assets for management that can be invested for the long term, that volatility from investing can occur, and that all investing is subject to risk. Consequently, the value of an account can at any time be worth more or less than the amount invested.

#### **ITEM 9: DISCIPLINARY INFORMATION**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of FAM. These include criminal or civil actions administrative proceedings, or self-regulatory organization (SRO) proceedings. Neither FAM nor its supervised persons have been subject to any such legal or disciplinary events. The backgrounds of FAM and its investment adviser representatives are available on the Investment Adviser Public Disclosure website at <https://adviserinfo.sec.gov/>.

#### **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFIRMATIONS**

As discussed above, FAM is affiliated with FFS (a broker-dealer and general insurance agency) and Famers Insurance. Our executive officers serve as officers and directors of the other Farmer affiliates.

Please note that neither FAM nor any of its management persons are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

As mentioned in **Items 4** and **5** above, FAM IARs are also registered representatives of FFS, or insurance agents of FFS and/or Farmers Insurance Exchange. In this capacity, the FAM IAR sells brokerage or insurance products when they believe it is in the client's best interest to do so and will receive a usual and customary commissions for the transaction.

To the extent that the IAR recommends the purchase of securities, insurance or other investment products where the IAR receives commissions for doing so (which will only occur in a non-advisory account), a conflict of interest exists because the IAR receives compensation should the clients elect to follow the IAR's recommendations, even if such a recommendation is based on the best interest of the clients and their needs. FAM has adopted certain procedures and Code of Ethics (see **Item 11**, below) designed to mitigate the effects of these conflicts. For example, as part of FAM's fiduciary duty to clients, IARs must endeavor at all times to put the interests of clients first, and recommendations will only be made to the extent that they are reasonably believed to be suitable and in the best interests of the client. Additionally, material conflicts presented by these practices are disclosed to clients at the time of entering into any new advisory arrangement. Clients are under no obligation to transact in a brokerage or insurance product through a FAM IAR who is a registered representative or insurance agent.

Farmers recommends or selects other investment advisers for its clients, for which the Firm does not receive additional compensation.

Prior to FAM recommending any third-party investment advisers to clients, the Firm will confirm the third-party investment advisers are properly licensed and/or registered.

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

##### Code of Ethics Summary

FAM has adopted a Code of Ethics ("Code"), which establishes standards of conduct for FAM's supervised persons and includes general requirements that such supervised persons comply with their fiduciary obligations to clients and applicable securities laws, and specific requirements relating to, among other things, personal trading, insider trading, conflicts of interest and confidentiality of client information. It contains written policies reasonably designed to prevent the unlawful use of material non-public information by FAM or any of its supervised persons. The Code also requires that certain of FAM's personnel (called "**Access Persons**") report their personal securities holdings and transactions and obtain pre-approval of certain investments, including initial public offerings and limited offerings.

The Code also requires supervised persons to report any violations of the Code promptly to the Firm's Chief Compliance Officer ("**CCO**"). Each supervised person receives a copy of the Code and any amendments to it and must acknowledge in writing having received the materials. Annually, each supervised person must certify that he or she complied with the Code during that year.

FAM will provide a copy of its Code of Ethics to any client or prospective client upon request.

##### Participation or Interest in Clients' Transactions and Personal Trading

Neither FAM nor any of our related persons: (i) will act as principal when buying and selling securities for our clients, (ii) currently serve as general partner in a partnership in which we solicit client investments, or

(iii) serve as an investment adviser to any investment company (mutual fund) that we recommend/invest in for clients.

Based upon a client's stated objectives, there will be times when FAM will recommend to one or more clients the purchase or sale of securities in which the Firm and/or its supervised persons have also invested in or may in the future invest in, personally. Since this creates conflicts of interest, including the fact that by doing such, one or more Access Persons could benefit by receiving a better execution price, FAM will only make such recommendations to the extent that they are reasonably believed to be in the best interests of the clients. Additionally, as part of FAM's fiduciary duty to clients, the Firm and its supervised personnel will endeavor at all times to put the interests of the clients first and at all times are required to adhere to the Firm's Code of Ethics. To further address the conflicts, FAM's Code of Ethics contains certain requirements and restrictions with regard to personal trading by the Firm's Access Persons, which include:

(i) having Access Persons' obtain pre-approval of certain securities transactions, (ii) prohibiting Access Persons from trading prior to or on the same day as clients (with certain exceptions), and (iii) requiring Access Persons to report personal securities transactions quarterly and securities holdings annually. In addition, the CCO monitors all Access Persons' trading activities to help ensure they are complying with the Firm's Code of Ethics requirements.

There also can be times when FAM and/or its Access Persons buy or sell specific securities for their own accounts based on personal investment considerations, which FAM does not deem appropriate to buy or sell for clients.

## **ITEM 12: BROKERAGE PRACTICES**

### *The Custodians and Brokers We Use*

FAM does not maintain custody of your assets that we manage (although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account (see **Item 15** – Custody, below). Your assets must be maintained in an account at a "qualified custodian," which is typically a broker-dealer or bank. FAM recommends that our clients use Charles Schwab & Co., Inc. ("Schwab"), a FINRA-registered broker-dealer, member SIPC, as the qualified custodian. FAM is independently owned and operated and not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when FAM instructs them to. While FAM recommends that you use Schwab as custodian/broker, you will decide whether to do so and open your account(s) with Schwab by entering into an account agreement directly with Schwab. While FAM does not open the account(s) for you but we do help facilitate the process. The final decision to custody assets with Schwab is at the discretion of the client, including those accounts under ERISA or IRA rules and regulations, in which case the client is acting as either the plan sponsor or IRA accountholder.

### *How We Select Brokers/Custodians*

We seek to recommend a custodian/broker who will hold your 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, these:

- combination of transaction execution services along with asset custody services (generally without a separate fee for custody)

- capability to execute, clear and settle trades (buy and sell securities for your account)
- capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- breadth of investment products made available (stocks, bonds, mutual funds, exchange traded funds (ETFs), and sub-advisers)
- 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, margin interest rates, other fees, etc.) and willingness to negotiate them
- reputation, financial strength and stability of the provider
- availability of other services that benefit us, as discussed below (*see “Services Available to Us from Schwab”*)

Clients have no obligation to open accounts with any custodial broker-dealer that FAM recommends. FAM, however, does not permit directed brokerage.

FAM does not receive client referrals from any broker-dealer or third party as a result of FAM selecting or recommending that broker-dealer to clients.

FAM does not recommend, request, or require that a client directs it to execute transactions through a specified broker dealer.

Even when a client’s account is maintained at Schwab, FAM can still use other brokers to execute trades for a client’s account(s), as described in the next paragraph.

#### *Client Custody and Brokerage Costs*

For clients’ accounts maintained at Schwab, Schwab generally does not charge separately for custody services but is compensated by charging the client commissions or other fees on trades that it executes or that settle into the client’s Schwab account. Schwab’s commission rates applicable to clients’ accounts were negotiated based on FAM’s commitment to maintain a minimum amount (\$10 million or more) of our clients’ assets in accounts at Schwab. This commitment benefits the client because the overall commission rates a client pays are lower than they would be if FAM had not made the commitment. In addition to commissions, Schwab charges a flat dollar amount as a “prime broker” or “trade away” fee for each trade that FAM has 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 commissions or other compensation a client pays the executing broker dealer. Because of this, in order to minimize a client’s trading costs, FAM prefers to have Schwab execute all trades for clients’ account(s) that are custodied at Schwab.

#### *Services Available to FAM from Schwab*

Schwab Advisor Services (formerly called Schwab Institutional) is Schwab’s business serving independent investment advisory firms like FAM. They provide us 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 clients. Schwab also makes available various support services. Some of those services help FAM manage or administer our clients’ accounts while others help us manage and grow our business.

Schwab's support services are generally available on an unsolicited basis (we don't have to request them) and at no charge to FAM as long as we keep a total of at least \$10 million of our clients' assets in accounts at Schwab. If we have less than \$10 million in client assets at Schwab, then Schwab may charge us quarterly service fees. Below is a more detailed description of Schwab's support services:

#### Services that Benefit the Client

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 FAM may not otherwise have access or that would require a significantly higher minimum initial investment by FAM's clients. Schwab's services described in this paragraph generally benefit the client and the client's account.

#### Services that May Not Directly Benefit the Client

Schwab also makes available to FAM other products and services that benefit FAM but usually do not directly benefit all our clients. These products and services assist FAM in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. FAM can use this research to service all or some 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 the Adviser's fees from our clients' accounts; and
- assist with back-office functions, recordkeeping and client reporting.

#### Services that Generally Benefit Only FAM

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

- educational conferences and events.
- technology, compliance, legal, and business consulting.
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants and insurance providers.

In some cases, Schwab provides these services itself. In other cases, it will arrange for third-party vendors to provide the services to FAM. There also are times when Schwab will discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab could also provide FAM with other benefits such as occasional business entertainment of our personnel, although to date no such benefit has been provided.

#### Our Interest in Schwab's Services

The availability of these services from Schwab benefits FAM because we do not have to produce or

purchase them. We don't have to pay for Schwab's services so long as we keep a total of at least \$10 million of client assets in accounts at Schwab. Beyond that, these services are not contingent upon FAM committing any specific amount of business to Schwab in trading commissions or assets in custody. The \$10 million minimum gives us an incentive to recommend that clients maintain their accounts with Schwab based on FAM's interest in receiving Schwab's services that benefit our business rather than based on a client's interest in receiving the best value in custody services and the most favorable execution of their transactions. This is a conflict of interest. FAM believes, however, that our selection of Schwab as a broker/custodian is in the best interests of our clients. It is primarily supported by the scope, quality and price of Schwab's services (based on the factors discussed above – see *"How We Select Brokers/Custodians"*) and not Schwab's services that benefit only the Adviser. We do not believe that maintaining at least \$10 million of our clients' assets at Schwab in order to avoid paying Schwab quarterly service fees presents a material conflict of interest.

#### Best Execution

It is the policy and practice of FAM to strive for the best price and execution that are competitive in relation to the value of the transaction ("**best execution**"). In order to achieve best execution, FAM will use its best judgment to choose the broker-dealer most capable of providing the brokerage services necessary to obtain the best overall qualitative execution. Although FAM will strive to achieve the best execution possible for client securities transactions, this does not require it to solicit competitive bids and FAM does not have an obligation to seek the lowest available commission cost. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the overall best qualitative execution, taking into consideration the full range of a broker-dealer's services, including among other things, the value of research provided, execution capability, commission rates, and responsiveness. Consistent with the foregoing, while FAM will consider competitive rates, it does not necessarily obtain the lowest possible commission rates for client transactions. FAM is not required to negotiate "execution only" commission rates, thus the client can be deemed to be paying for research and related services (*i.e.*, "**soft dollars**") provided by the broker/custodian which are included in the commission/transaction fee rate.

To ensure that brokerage firms recommended by FAM are conducting overall best qualitative execution, FAM will periodically (and no less often than annually) evaluate the trading process and brokers utilized. FAM's evaluation will consider the full range of brokerage services offered by the brokers, which includes, but is not limited to price, commission, timing, research, ability to aggregate trades, capable floor brokers or traders, ability to position, capital strength and stability, reliable and accurate communications and settlement processing, use of automation, knowledge of other buyers or sellers, administrative ability, custody, and any services provided to client and/or FAM.

#### Soft Dollar Considerations

Section 28(e) of the Exchange Act ("**Section 28(e)**") generally allows investment advisers to use client commissions to pay for certain brokerage and research services under certain circumstances without breaching their fiduciary duties to clients. Therefore, we do in circumstances in which we feel that execution is comparable, place certain trades with a third-party broker that is providing brokerage and research services to us ("**Research Broker**").

Currently, FAM does not have any third-party soft dollar arrangements in place.

### Order Aggregation

FAM typically effects transactions for each client account independently and does not aggregate orders.

### Affiliated Broker

As outlined in Item 4, certain FAM investment adviser representatives (“**IARs**”) are licensed insurance agents of FFS and/or a Farmers Insurance Exchange affiliated insurance company (“**Farmers Insurance**”), and in this capacity, sell insurance products to FAM clients and the IAR believes it is in the client’s best interest. Rationales for such purchases typically include, among other things, desire by the client to have an income or death benefit guarantee, ability to pay for such guarantees associated with the product, tax deferral on non-qualified funds, and/or contributions to existing annuities which receive a higher fixed rate of return. Insurance products typically sold include traditional, non-variable life insurance and annuity contracts.

Moreover, certain FAM IARs are licensed registered representatives of FFS. In this separate capacity, registered representatives may suggest that FAM clients purchase/sell variable life insurance policies, variable annuity contracts, mutual funds and municipal fund securities (529 Plans). Should a client decide to purchase or sell these types of investments through that financial professional, the client will need to open a brokerage account with FFS. At no time does FAM place trades for advisory clients’ managed accounts with FFS for execution. In addition, FAM clients are not required to open an account with FFS and may select any broker-dealer or registered representative of their choice to transact in brokerage products.

If a FAM IAR, in his or her separate capacity as an insurance agent or registered representative, sells an insurance or brokerage product, that individual will earn a sales commission. Moreover, for those IARs appointed with FAM, they receive an incentive to sell Farmer’s products and receive a Farmer’s production credit. In addition, in the event that an insurance agent sells certain insurance products through independent third parties, that agent could receive a production credit through FFS. This is a conflict of interest since the FAM IAR is incentivized and earns commission(s) or credits for implementing insurance and/or product recommendations made, rather than acting in the client’s best interest. This conflict is mitigated by FAM’s policies and procedures which require FAM IARs to always act in the best interest of the Adviser’s clients. Please see **Items 4, 5, 10 and 14** below for additional information concerning such conflicts.

## **ITEM 13: REVIEW OF ACCOUNTS**

Client accounts are monitored on an ongoing basis. Generally, no less than annually, reviews are conducted by FAM IARs to check for consistency with the investment strategy implemented in accordance with the parameters set forth by the client and notated in the Client’s Profile to determine if any adjustments need to be made. Client account reviews also occur upon request by the client or if FAM becomes aware of a material change in a client's investment objective or financial goals. This may occur when a client notifies the FAM IAR of changes in his/her personal, retirement, tax or financial status, or there are material changes in market conditions.

The client will receive written statements no less than quarterly from their custodian. These reports list the account positions, activity in the account over the covered period, and other related information, including any fees deducted from the account. In addition, the client will receive other supporting reports from mutual funds, ETFs and OPS/BCI Strategists and others who are involved with client accounts.

## ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

### Incoming Referrals

FAM does not directly or indirectly compensate any person who is not a supervised person for client referrals.

For FAM IARs, in addition to salary and any discretionary bonus, they will receive a portion of the advisory fees paid by the clients they service, and the percentage amount they will receive is tied to account asset levels. In addition, FAM will pay each IAR's supervisor/manager a portion of these fees, which is also based on a flat percentage. Such payments will not impact the fees that are assessed to FAM clients.

FAM also has internal personnel that recruit new IARs to join the Firm. In addition to their salary and any discretionary bonus they are eligible to receive a one-time payment based on 0.05% of the Administrative Fee (described in Item 5 above) assessed to the clients brought into FAM by the recruited IAR(s). Each recruiter's supervisor/manager will also receive the same one-time payment.

These types of payments create a conflict of interest in that there is a financial incentive for the IARs to recommend FAM, select or recommend certain investment advisory programs, services, or products to clients, and recommend that clients add assets to their accounts. There also is an incentive for the IARs' supervisors/managers to encourage the IARs to make such recommendations. However, FAM, and its IARs are fiduciaries and recommendations will only be made when it has been determined that they are suitable for each client based upon the client's investment objectives, risk tolerance, financial situation and needs. To monitor this, we perform periodic reviews of clients' accounts to verify that recommendations made to clients appear suitable. Additionally, clients are under no obligation to implement any recommendations made by FAM or any of our IARs and are free at all times, to choose any other investment adviser, IAR, and/or broker-dealer for implementation. See Items 5 and 10 for additional information.

### Referring Clients to Third Parties

In addition, FAM does not accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them by the Adviser.

### Other Compensation

FAM receives an economic benefit from Schwab in the form of the support products and services it makes available to the Adviser and other independent investment advisers that have their clients maintain accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are described above (see **Item 12** – Brokerage Practices). The availability to FAM of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

As mentioned in **Items 4, 5, 10** and **12** above, FAM IARs are also registered representatives of FFS, or insurance agents of FFS and/or Farmers Insurance. In this capacity, the FAM IAR sells brokerage or insurance products when they believe it is in the client's best interest to do so and will receive a usual and customary commissions for the transaction.

To the extent that an IAR recommends the purchase of securities, insurance, or other investment products where the IAR receives commissions for doing so, a conflict of interest exists because the IAR receives compensation should the clients elect to follow the IAR's recommendations, even if such a recommendation is based on the best interest of the clients and their needs. FAM has adopted certain procedures designed to mitigate the effects of these conflicts. For example, as part of FAM's fiduciary duty to clients, IARs must endeavor at all times to put the interests of clients first, and recommendations will only be made to the extent that they are reasonably believed to be suitable and in the best interests of the client. Additionally, material conflicts presented by these practices are disclosed to clients at the time of entering into any new advisory arrangement with FAM. Clients are under no obligation to implement recommended transactions through any FAM IAR. Clients have the option to purchase recommended investment or insurance products or services through brokers or agents other than FAM, FFS or Farmers Insurance which the FAM IAR is associated.

## **ITEM 15: CUSTODY**

Under federal regulations, FAM is deemed to have "constructive custody" of client funds because the Adviser has the authority and ability to debit its advisory fees directly from the client's account(s). To mitigate any potential conflicts of interest, FAM has the following safeguarding controls in place:

1. All client assets are maintained with an independent qualified custodian.
2. FAM receives written authorization from each client via their Investment Advisory Agreement to deduct our advisory fees from clients' accounts held at their qualified custodian.
3. For fees directly billed by FAM, the Firm will send a billing statement/report to the clients' qualified custodians that includes the client account numbers and the amount of the fee to be deducted from each account. At the same time, FAM will send an invoice reflecting: (i) the fee amount, (ii) the formula for calculating the fee, (iii) the value of the assets under management on which the fee is based, and (iv) the time period covered by the fee.

Clients will receive statements on at least a quarterly basis directly from the qualified custodian that holds and maintains their assets. Clients are urged to carefully review all custodial statements and compare them to the statements provided by FAM and other third parties. Statements sent by third parties may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. Please refer to **Item 12** for additional important disclosure information relating to FAM's relationship with Schwab, its recommended broker-dealer custodian.

Certain clients can/will sign a Standing Letter of Authorization ("SLOA") that gives FAM the authority to transfer client funds to a third-party as directed by the client in the SLOA. If/when this occurs, FAM will have custody. Custody is defined as any legal authority or actual ability by an adviser to withdraw client funds or securities. Firms with deemed custody must take the following steps:

1. Ensure clients' managed assets are maintained by a qualified custodian.
2. Have a reasonable belief, after due inquiry, that the qualified custodian will deliver an account statement directly to the client at least quarterly.
3. Confirm that account statements from the custodian contain all transactions that took place in the client's account during the period covered and reflect the deduction of advisory fees; and
4. Obtain a surprise audit by an independent accountant on the clients' accounts for which the advisory firm is deemed to have custody.

However, the rules governing the direct debit of client fees and SLOAs exempt FAM from the surprise audit rules (#4 above) if certain conditions (in addition to steps 1 through 3 above) are met. Those conditions are as follows:

1. Prior to debiting fees from client accounts, FAM must receive written authorization from clients permitting advisory fees to be deducted from the client's account; and
2. In the case of SLOAs, FAM must ensure that the following conditions are met: (i) client provides written instruction to the qualified custodian that includes the name of the third party receiving the funds, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed, (ii) the client has authorized FAM, in writing, either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time, (iii) the client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization and provides a transfer of funds notice to the client promptly after each transfer, (iv) the client has the ability to terminate or change the instruction to their qualified custodian, (v) FAM has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction, (vi) FAM maintains records showing that the third party is not a related party of the Firm or located at the same address, and (vii) the client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

If client funds or securities are inadvertently received by FAM, they will be returned to the sender immediately, or as soon as practical.

As mentioned above, FAM generally recommends Schwab to serve as custodian. Therefore, clients should thoroughly consider the differences between having their assets held at a broker-dealer versus at a bank or trust company. Some of these differences include, but are not limited to, custodian costs, trading issues, security of assets, client reporting and technology.

#### **ITEM 16: INVESTMENT DISCRETION**

When providing discretionary management services, FAM has the authority to: (i) select the securities and the amount of such securities to be bought or sold, and (ii) determine the timing for buying and selling the securities in client accounts without obtaining prior consent or approval from the client for each transaction. However, these purchases or sales are subject to specified investment objectives, guidelines, or limitations previously set forth by the client and agreed to by FAM. When providing non-discretionary services, FAM will obtain the client's permission prior to implementing any securities transactions. Discretionary authority will only be provided upon full disclosure to the client. The granting of such authority will be evidenced by the client's execution of the FAM Investment Advisory Agreement, or written addendum thereto, containing all applicable limitations to such authority.

Clients also authorize FAM via the FAM Investment Advisory Agreement to delegate its discretionary authority over clients' assets allocated for management to one or more sub-advisers. The sub-advisers will have discretion to buy, hold, and/or sell securities for clients without obtaining prior consent or approval from the client or FAM. However, this discretionary authority is also subject to the specified investment

objectives, guidelines, and limitations set forth by each client and agreed to by FAM. In addition, FAM will only delegate such discretionary authority to a sub-adviser in accordance with a written agreement entered into between FAM and the sub-adviser.

For clients that are receiving Financial Planning Services on a non-discretionary basis, FAM will make recommendations to the client regarding the purchase or sale of securities or other assets that they consider to be in the best interest of the client. The client has full discretion to accept or reject FAM's recommendations and is responsible for implementing any accepted recommendations with any investment adviser, broker-dealer, or insurance agency the client chooses.

#### **ITEM 17: VOTING CLIENT SECURITIES**

FAM will not vote or advise clients how to vote, proxies for securities held in client accounts. Clients will receive proxies and other solicitations from their custodian.

#### **ITEM 18: FINANCIAL INFORMATION**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about their financial condition. FAM does not have any financial commitments that impair its ability to meet contractual and fiduciary obligations to clients and has not been the subject of a bankruptcy proceeding. If FAM does become aware of any such financial condition, this brochure will be updated, and clients will be notified.

FAM does not accept prepayment of more than \$1,200 per client six or more months in advance of services to be performed. However, should this occur, FAM will comply federal regulations and will include a Balance Sheet within this ADV Part 2A Brochure.