

Item 1 – Cover Page



**Form ADV Part 2A Disclosure Brochure**

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**UPDATED: January 23, 2023**

This ADV Part 2A (“Brochure”) provides information about the qualifications and business practices of **ETESIAN WEALTH ADVISORS Inc. (Etesian)**. We are providing this information to each advisory client and prospective advisory client in compliance with SEC rules. If you have any questions, or need additional information about Etesian or the contents of this Brochure, please contact us at 503-387-3615 or [Info@EtesianWealthAdvisors.com](mailto:Info@EtesianWealthAdvisors.com).

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

**ETESIAN WEALTH ADVISORS Inc.** is an SEC registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. This ADV and the written communications of an Adviser are intended to provide you with information about which you determine to hire or retain an Adviser.

Additional information about ETESIAN WEALTH ADVISORS Inc. also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s website also provides information about any persons affiliated with Etesian who are registered or are required to be registered, as Investment Advisor Representatives of Etesian.

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**Item 2 – Material Changes**

This section of our Brochure reports all material changes made since our last annual update. Since our last update in February 2022, we have not made any material changes.

A complete copy of our Brochure may be requested at no charge by contacting Stan Lochrie, President and Chief Compliance Officer at 503-387-3615 or [Stan.Lochrie@Etesianwa.com](mailto:Stan.Lochrie@Etesianwa.com). This brochure is also on our website [www.Etesianwa.com](http://www.Etesianwa.com).

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#### **Item 4 – Advisory Business**

Etesian Wealth Advisors Inc. is an investment adviser, registered in 2009 with the Securities and Exchange Commission. Stanley C. Lochrie, Barbara J. Lochrie, Jesse Steele and Benjamin Wright are the owners of Etesian Wealth Advisors Inc. Stan is the Chief Compliance Officer (CCO). Etesian has been in business since January 2010.

The primary focus of Etesian is multidisciplinary wealth management that includes financial planning, consulting on financial matters, and asset management services. We generally provide asset management services for the management of client accounts on a discretionary basis; however, we also manage accounts on a non-discretionary basis as requested by the client whereby we furnish investment advice through consultation, and provide advice on matters not directly involving securities, including financial and estate planning. Etesian is a fiduciary to our clients on all the accounts and relationships we manage. As a fiduciary, we are compelled to place the clients' interests above all others including our own.

Clients are expected to notify Etesian of any changes in their financial situation, investment objectives or account restrictions.

#### **Asset Management Services**

Etesian manages accounts on a discretionary or non-discretionary basis as outlined in Etesian's Account Management Service agreement (Investment Advisory Agreement). Our Asset Management Services include the following:

- Assessment of the client's investment needs and objectives
- Development of an asset allocation strategy designed to meet the client's objectives
- Preparation of a comprehensive financial plan (as outlined under "Financial Planning Services")
- Identification of suitable style objectives and investment vehicles for the client's goals
- Creation of an investment policy
- Setting up of a Client website for account reporting and financial planning
- Initiating trades in client accounts
- Working with custodians to arrange deposits, disbursements, and other transactions within client accounts
- Periodic in-person meetings and on-going monitoring and review of all client accounts at the custodian
- Account reporting and tax optimization functions and planning
- Account rebalancing as appropriate to each client's unique situation

Etesian, through discussions with the client, gathers and compiles information about the client's financial circumstances, investment objectives, risk tolerance, time horizon, investment preferences and other relevant factors. Etesian analyzes this information and prepares an investment strategy that is unique to each client in the form of an Investment Policy Statement ("IPS") that includes risk/reward profile, asset allocation and investment portfolio recommendations, and asset classes, as well as rebalancing strategies. The purpose of the IPS is to provide Etesian with written, strategic plans to direct investment decisions for each client. The creation of the IPS provides Etesian the opportunity to discuss investment objectives with clients as well as educate them on various techniques and strategies. This information will allow Etesian to assess whether a particular security or investment manager is suitable for a client and serve as the basis for establishing the client's strategic asset allocation. A focus on potential account losses which are consistent with a particular allocation is discussed to help a client visualize historical examples of risk/reward potentials and serve as the basis for establishing the client's strategic allocations.

Etesian then recommends portfolio assets based upon each client's strategic and tactical investment strategy as outlined in the IPS and allocates them among various securities and investments, including any third party money managers we recommend.

Clients are expected to notify Etesian of any changes in their financial situation, investment objectives or account restrictions.

### **Etesian Wealth Advisors Financial Planning Services**

Etesian develops a financial plan for each of its asset management clients, a service included in our asset management fee. We provide a secure website through eMoneyfor clients to access as part of our financial planning services. Etesian maintains both the planning website and financial information necessary to keep the clients plan current. The client's online financial plan can be assessed at any time via the secure website that is secured with the client's login credentials. With additional authorization provided by the client, each financial plan can be updated with the clients current account values on a daily basis. Etesian manages the input of information relative to cash flows, taxes, estate planning, goals, spending, asset values and all aspects of each client's comprehensive financial needs. This information is continually used to assist Etesian in the preparation of reporting and consulting on the client's entire financial picture. Financial Planning Services include:

- A customized Website for each client for all reporting and analysis
- Assisting the client in setting long and short-term goals
- Preparing a personal financial statement, cash flow statement and asset allocation
- Preparing a retirement/long-term planning and insurance analysis
- Developing a savings plan to reach long-term goals
- Reviewing auto and home insurance coverage
- Providing a customized financial plan and cash flow analysis

### **Retirement Plan Services (corporate retirement plans)**

Etesian works with retirement plan sponsors of profit-sharing plans. We provide research and recommendations as to the design of the retirement plan, including investment options; however, we do not have discretionary authority on such retirements and do not select the investments for individual participants.

Advisory services provided to a plan sponsor may include any or all of the following:

- Due diligence on existing, potential, and selected investment managers and/or service providers
- Retirement plan asset-class menu recommendations
- Investment policy statement review or its development and implementation
- Trustee education
- Plan design recommendations
- Periodic plan reviews with trustee(s), as appropriate
- Investment monitoring reports
- Substitution recommendations
- Watch list recommendations
- Model portfolio generation or guidance for participants
- Participant educational workshops

We are available to review an existing or prepare a new investment policy statement or similar plan document. The purpose of the investment policy statement is to assist investment committees in effectively supervising, monitoring and evaluating the company's retirement plan.

We may conduct ongoing assessments of the plan's selected provider, and we may recommend replacement of some or all of the investments, the recordkeeper, third-party administrator and/or custodian. Our recommendations will depend on a combination of plan goals and objectives, updated due diligence information, as well as cost or other service considerations.

We explicitly acknowledge our fiduciary role within the meaning of Section 3(21) of ERISA, which includes offering investment advice to plan sponsors and plan trustees on behalf of employee retirement plans. We do not act in a fiduciary role under Section 3(38) of ERISA and, as noted above, will not have discretion on any ERISA plan assets.

### **Important Information for Retirement Investors**

When we recommend that you rollover retirement assets or transfer existing retirement assets, such as a 401(k) or an IRA, to our management, we have a conflict of interest. This is because we will generally earn additional revenue when we manage more assets. In making the recommendation, however, we do so only after determining that the recommendation is in your best interest. Further, in making any recommendation to transfer or rollover retirement assets, we do so as a “fiduciary,” as that term is defined in ERISA or the Internal Revenue Code, or both. We also acknowledge we are a fiduciary under ERISA or the Internal Revenue Code with respect to our ongoing investment advisory recommendations and discretionary asset management services, as described in the advisory agreement we execute with you. To the extent we provide non-fiduciary services to you, those will be described in the advisory agreement.

### **Consulting Services**

As we describe above in this section of our brochure, our primary focus is on providing multidisciplinary wealth management that includes financial planning. However, upon request, we will provide stand-alone consulting services on an hourly basis. Examples of services we might provide under a consulting services engagement include assessment of client’s investment needs and objectives, development of an asset allocation strategy, evaluation and benchmark review, or recommendations of investment vehicles. Our advisory agreement will detail the engagement agreed upon between Etesian and client.

Etesian will not provide a written analysis or report in connection with consulting services unless otherwise agreed to in our engagement.

### **Types of Investments used in Etesian Accounts**

Etesian offers advice on a broad spectrum of investments and investment programs including short-term money market securities, corporate, municipal and US government fixed income securities, exchange listed over-the-counter and foreign equities, investment company securities such as mutual funds and Exchange Traded Funds (ETF’s) Both Mutual Funds and Exchange Traded Funds (ETF’s) may include derivative securities such as warrants and options and direct participation partnerships. Investments such as commodities and futures contracts will be provided as part of mutual funds. We can also provide advice about any type of preexisting investment held in a client’s portfolio when opening an account with us.

Our asset management services are limited to recommending publicly-traded securities. Occasionally, a client will seek our opinion about a private (non-publicly traded) investment and we will provide an opinion based on a review of the known merits of such an investment. However, we do not facilitate the client’s investment, provide ongoing advisory services with respect to such investments, or charge a fee on such investments. Some private investments are reported on through the client’s custodian, but are for informational purposes and are not included in our ongoing asset management services.

**Note of Importance on account management and security selection** - Because we perform advisory services for more than one client account, it is possible that conflicts of interests are created as they relate to managing any one account in context to how we manage the allocation of investment opportunities among all accounts we manage. When this potential conflict happens, we work to resolve all such conflicts in a manner that is fair to all of our clients. As a result, we give advice and take action for one client that is different than the advice given or action taken for another client. In that regard, we have no obligation to recommend or conduct the purchase, or sale, of any security that our advisors, managers, members, officers, or employees choose to purchase or sell for their own accounts, or for the account of another client. If it is our opinion that a sale or purchase of a

particular security is unsuitable, impractical, or undesirable for a specific client, that transaction will not be placed. As an example, in some situations, there might not be sufficient available supply of a particular security for all of our clients for whom it might be suitable. In such a case of limited availability, we will, within our sole discretion, determine in a manner of our choosing how to allocate the security among our clients. However, it is our policy to allocate investment opportunities over a period of time on a fair and equitable basis to all clients to the extent it is practical to do so.

### **Client restrictions on assets managed, purchased, or sold**

In certain circumstances, a client may restrict what securities, or type of securities, that can, or cannot, be held, bought, or sold in their portfolios. In such cases, the specific restrictions must be in writing and listed on the IPS, and then those assets will be held in a separate account with restricted trading authority by Etesian. In cases of restrictions, no trades will be initiated by Etesian on these accounts without client permissions. In other circumstances, a client can specify what type of securities he/she would not like held in the account. This is generally the case with socially responsible investing. The specific restrictions must be provided to us in writing and incorporated as part of the client IPS. Where restrictions apply on accounts managed by Etesian, the potential for loss in the account might be elevated. In these situations, we inform the client of the potential risks to the best extent possible.

### **Assets managed by Etesian Wealth Advisors**

As of December 31, 2022, we managed the following client assets:

|                                    |                           |
|------------------------------------|---------------------------|
| <b>Discretionary assets --</b>     | <b>\$251,842,100</b>      |
| <b>Non-Discretionary Assets --</b> | <b><u>\$6,566,300</u></b> |
| <b>Total Assets Managed --</b>     | <b>\$258,408,400</b>      |

### **Item 5 – Fees and Compensation**

For Asset Management and Retirement Plan Services we charge through an ongoing fee based on your assets under management. For Consulting Services we charge an hourly fee. All fees are agreed upon in our client advisory agreement with each client. Below is a description of the fees we charge for the different advisory services we offer.

#### **Asset Management Services**

Etesian does not impose a minimum account size or minimum fee. We offer our Asset Management Services for a percentage of assets under management. Below, we have outlined our standard investment management fees for each type of distribution channel. Fees for Asset Management Services are payable quarterly in arrears. Fees payable for Investment Supervisory and Management Services are calculated as an annual percentage fee of the value of assets under our management and then those annual fees are prorated and charged on a quarterly basis in arrears.

Those annual fees are as follows:

| <u>Assets Managed</u>        | <u>Standard Fee</u> |
|------------------------------|---------------------|
| • \$0 - \$2,000,000          | 1.10%               |
| • \$2,000,001 - \$5,000,000  | 0.85%               |
| • \$5,000,001 - \$10,000,000 | 0.65%               |
| • \$10,000,001 – Up          | 0.55%               |

Actual fees charged to investment advisory clients vary significantly from client to client and may be higher or lower than indicated in the standard fee schedules below, depending upon a number of factors including the amount of assets under management, the scope of services provided, the complexity of the client's financial situation and the type of assets being managed.



Our fees are based upon the account balance on the last day of the calendar quarter and are deducted from client accounts on a quarterly basis, in arrears, as a direct debit to Etesian as specified in the investment advisory agreement. For accounts with custody at Schwab or another custodian, that are terminated mid-quarter, our investment management fees will be prorated for each day of the current quarter until the date the written termination notice is effective. Either party may terminate the Investment Advisory Agreement at any time by providing written notice to the other party.

Clients will also be subject to third party fees and expenses in connection with their account that are charged by the custodian, or particular investments. Fees and expenses in connection with mutual funds are in addition to Etesian's fees and those fees are described in detail in each fund's prospectus. Fees and expenses charged by third parties such as your custodian, broker-dealers, and other service providers, will vary depending upon the type of investment and services the client selects. Examples include, but are not limited to: IRA fees, wire fees, fixed income transaction fees, ADR (American Deposit Receipt) fees, and foreign security assessments. These fees are charged by the third party and not by Etesian; Etesian never shares in those fees.

### **A statement regarding fees at Etesian**

Our firm strives to deliver its services while paying close attention to managing all the costs that our clients are subject to paying (fees from fund companies, ETF Sponsors, Custodians, etc.) for the management of their investments. In an effort to achieve cost-effective expense ratios, Etesian has a bias toward using individual securities (bonds and stocks which have a \$0 holding cost in client accounts) and Exchange Traded Funds (which have very low expense ratios). However, we do use no-load mutual funds in Client accounts to achieve diversification and overall market exposure as needed. In those cases, we employ an investment selection process that we believe is objective and in our clients' best interest from a cost, reward, and risk management perspective.

### **Retirement Plan Services Fees**

Fees payable to Etesian for Retirement Plan Services are calculated as a percentage of assets under management as follows:

| <b><u>Plan Assets</u></b>             | <b><u>Standard Fee</u></b> |
|---------------------------------------|----------------------------|
| • \$0 - \$3,000,000 Million           | 0.50%                      |
| • \$3,000,001 - \$5,000,000 Million   | 0.35%                      |
| • \$5,000,001 - \$10,000,000 Million  | 0.25%                      |
| • \$10,000,001 - \$20,000,000 Million | 0.20%                      |
| • \$20,000,001 - and Over             | 0.15%                      |

Fees for Retirement Plan Services are payable quarterly in arrears and based upon account values the last day of each calendar quarter. Fees payable to any third party money manager selected by the client are in addition to the fees payable for Etesian's work. In addition, clients will also be subject to other fees and expenses in connection with their account, including execution costs, fees and expenses charged directly or indirectly by mutual funds, ETFs or other funds in which their assets are invested, their custodian, broker-dealers, and other service providers. Fees and expenses in connection with mutual funds are described in each fund's prospectus and ultimately borne by the funds' owners.

### **Consulting Services Fees**

Etesian negotiates fees with its consulting clients based on the type of client and particular services rendered. Etesian charges an hourly fee. We will usually estimate the cost for the services requested and a portion of the fees is payable in advance, with the balance due upon completion of the engagement. If a consulting engagement is paid in advance, when the client accepts in writing that the consulting work has been completed and the client has overpaid for the work, Etesian will refund the unearned consulting fees.

## **Conditions for Managing Accounts**

All fees are subject to negotiation and there are no other fees such as acceptance or termination fees. Clients will be expected to notify Etesian of any changes in their financial situation, investment objectives or account restrictions. Item 12 (below) further describes the factors that Etesian considers in selecting or recommending brokers for client transactions and determining the reasonableness of their compensation (*e.g.*, commissions, fees, etc.)

## **Valuation of Securities**

We do not value your securities, nor do we verify the values provided by your custodian or the issuer of the securities. We use the securities valuation provided by the independent qualified custodian for reporting and billing purposes. Publicly traded securities are usually valued as of the end of business on the last trading day of the calendar quarter.

While we do not recommend privately issued securities, some of our clients hold such investments. The client may request privately issued positions be reported on through their custodian, but we do not ever charge a fee on any privately-issued securities.

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

Etesian **does not** charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

## **Item 7 – Types of Clients**

In general terms, Etesian provides comprehensive wealth management and consulting services to the following types of clients:

- Individuals and their Families
- Corporate Executives and Business Owners
- Multi-Generational Families
- Private and Public Foundations and Charitable Organizations
- Corporate Pension and Profit Sharing plans
- Endowments and Not-for-Profit Organizations

Limitations to authority may be based upon specific written objectives and guidelines between Etesian and the client, ERISA, or other regulatory bodies.

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

### **Security Analysis**

Etesian's primary method to determine the suitability of an investment includes fundamental research of the equity markets. Etesian believes in managing publicly traded securities which have characteristics that indicate that the investments meet high standards (size, balance sheet strength, cash holding, debts, etc.) and is determined to be suitable for the client's particular situation (risk profile, reward, time horizon, etc.). Etesian adheres to strict risk controls such as fundamental analysis, screenings against peer groups, searches of historical information and filings, etc., to reduce volatility and help maximize returns.

All portfolio decisions are driven by basic analysis, which includes but is not limited to:

- Fundamental and technical analysis including charting as well as some cyclical weighting based on macroeconomic analysis
- Financial newspapers and magazines
- Research services prepared by others, such as Schwab Advisor Services, Fidelity Investments, Morningstar® and Fiduciary 360™

- Corporate rating services
- Commercially available services regarding investments and taxation of investments Annual Reports, prospectuses, filings with the SEC Company press releases Internal analysis and research
- Privately issued securities are analyzed in a similar method but the investment's issuers will normally not meet the same standards set for publicly traded securities because much of the information about privately issued securities is not available to us.

### **Principal Sources of Information**

Etesian's sources of information used in financial analysis include (but are not limited to): financial periodicals, research materials prepared by others including research departments of brokerage firms, corporate rating services, annual reports to shareholders, prospectuses, investor relations' material. In the case of privately issued securities, the information about the issuer will typically come from the issuer. Often no independent third party verified information about an issuer of privately issued securities can be obtained.

### **Types of Investment Strategies**

Etesian offers advice on a wide spectrum of investments and investment programs, including short-term money market securities; corporate, municipal and US government fixed income securities; exchange listed, over-the-counter and foreign equities; investment company securities such as mutual funds; derivative securities such as warrants and options; direct participation partnerships and privately issued notes. Investments such as commodities and futures contracts will be provided as part of a mutual fund. We may also provide advice about any type of preexisting investment held in a client's portfolio when opening an account with Etesian.

Typical investment time horizon is greater than one year depending on each client's unique circumstances as outlined in the IPS. However, on occasion securities will be sold prior to that time depending upon the conditions of the markets, the prospects for price appreciation of the particular security or other reasons consistent with the specific client as outlined in each unique IPS.

### **Etesian Global Fixed Income Strategies**

- Etesian Wealth Advisors builds and manages individual-issue corporate, US Treasury, and municipal bond portfolios customized to a client's specific diversification requirements, income needs, time horizon, tax considerations and state of residence. In some cases, when we feel appropriate, we will recommend a client purchase or privately issued note.
- For accounts with smaller allocations to fixed income, Etesian will use mutual funds and/or ETFs.

Our strategy is to assess the overall direction of interest rates and determine position durations accordingly. We analyze the yield curve in an attempt to determine the most advantageous portfolio construction. We determine the relative attractiveness of corporate vs. municipal and government and/or government agency securities. Based on the results of our analysis, we adjust durations/maturities when conditions indicate and shorten portfolio exposure when necessary to preserve capital. This means that when we believe interest rates are falling, we lengthen duration to take advantage of the increased returns that should be available as rates drop. Likewise, when market indicators warn of forces that threaten the markets, the Etesian will seek to shorten portfolio maturities and durations with the goal of limiting potential declines.

### **Fixed Income Market Risk**

- A rise in interest rates can cause accounts participating in this strategy to decline in value. When interest rates are low, the income distribution from fixed income securities can be reduced.
- The value of any of the investments may decline in response to events affecting the issuer of securities, its credit rating or any underlying assets backing the securities; such as the effect on mortgage-related securities from real estate market weakness or defaults on underlying mortgages.

- The duration of fixed income securities affects the risk or price volatility of these securities. Longer-term securities are generally more sensitive to interest rates and their prices more volatile than shorter-term securities.

### **Fixed Income Management Risk**

Our judgments about the attractiveness, value, and potential appreciation of a particular asset class or individual security may be incorrect and there is no guarantee that individual securities will perform as anticipated.

### **Fixed Income Credit Risk**

- There is a risk that issuers and counterparties will not make payments on the securities they issue.

Individual securities can be downgraded by rating agencies, which can cause their values to fall. In addition, the credit quality of securities may be lowered if an issuer's financial condition changes. Lower credit quality can lead to greater volatility in the price of a security, which can affect liquidity and our ability to sell the security.

### **Etesian Global Equity Strategies-Etesian Dividend Focus Strategy**

This strategy consists of building and managing individual-issue common stock portfolios designed to provide meaningful dividend income while maintaining exposure to the market. The strategy primarily focuses on investing in large-cap common stocks (comprised primarily of domestic securities but may hold foreign ADR's as well) that provide strong growth potential and attractive dividend and yield opportunities and seeks to create a portfolio structure that is less volatile and more predictable than the overall stock market. Companies are selected based on their ability to consistently pay and increase dividends over time. We currently also favor companies that have a share buyback program in place. We also evaluate based upon a comprehensive scoring process that reviews valuation, earnings, expectations, key financial issues and technical price behavior.

### **Etesian Equity Strategies provided by Mutual Funds and ETFs**

Etesian uses mutual funds and ETFs to gain exposure to a tax managed global equity portfolio and offer equity and indexing strategies through such investments when appropriate for some clients.

When utilizing mutual funds and ETFs we examine the experience, expertise, investment philosophies and past performance of the fund managers of such investments to determine if that manager of these investments has demonstrated an ability to successfully invest over a period of time and in different economic conditions. We monitor the investment's underlying holdings, strategies, concentrations and leverage as part of our overall periodic risk assessment. Additionally, as part of our due diligence process, we survey the investment manager's compliance and business enterprise risks. An investment or investment manager that has been successful in the past may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a mutual fund or ETF, there is a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients. Moreover, as we do not control the manager's daily business and compliance operations, we may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

### **Equity Markets Risk**

- An investor could lose money due to a sudden decline in the share price or to an overall decline in the stock market. Factors such as U.S. economic growth and market conditions, interest rates and political events affect the equity markets.
- Our strategy for managing these portfolios may not achieve the desired results or may be less effective than other strategies in a particular market environment.

- Investments in foreign equity securities involve increased risk due to political, social and economic developments abroad as well as differences between regulatory practices.
- A higher turnover rate may indicate higher transaction costs and can result in higher taxes in taxable accounts. These costs may also affect the strategies' performance.

### Equity Management Risk

- Our judgments about the attractiveness, value and potential appreciation of a particular asset class or individual security may be incorrect and there is no guarantee that individual securities will perform as anticipated.
- The value of an individual security can be more volatile than the market as a whole or our intrinsic value approach may fail to produce the intended results.
- Our estimate of intrinsic value may be wrong or, even if our estimate of intrinsic value is correct, it may take a long period of time before the price and intrinsic value converge.

We conduct quantitative and qualitative research, drawing on analytic tools and a database of traditional and alternative asset managers. Security selection follows similar protocols. For all the investments we make, our due diligence efforts are thorough and ongoing.

- Investments in small and mid-cap companies have, in the past and, in the future, may be riskier than investments in larger cap established companies.
- The securities of mid and small cap companies may trade less frequently and in smaller volumes than securities of larger companies.
- Small and mid-cap companies might be more vulnerable to economic, market and industry changes.

### Etesian Alternative Investment Strategies

In certain client situations, we use our limited alternative investment line-up to complement our long only fixed income and equity strategies. These alternative strategies include Real Estate, Gold, Master Limited Partnerships, and various single strategy hedge fund styles. Etesian's alternative investment strategies are built to have a lower correlation with other major asset classes and provide a source of absolute return to a broadly diversified portfolio.

### Alternative Investment Risks

- Alternative investments in Real Estate Investment Trusts (REITs), although not a direct investment in real estate, are subject to the risks associated with investing in real estate.
- The value of these Real Estate Investment Trust securities will rise and fall in response to many factors including economic conditions, the demand for rental property and changes in interest rates.
- Alternative Investment strategies are intended to further diversify investor holdings and are not considered as a stand-alone investment program.

### Additional Comments on Risks

Any investment carries an element of risk. We strive to help our clients understand the risks and how this risk is relative to investing to meet their financial goals. In that regard, we will provide our best assessment of the risks associated with the investment we manage for our clients. However, any investment or economic analysis that we provide will rely upon representations and financial information that is collected from many sources. **As such, we cannot express any form of assurance on the achievability of the accuracy of the information we collect.** All reports, financial statement projections and analyses are intended exclusively for use in developing and implementing portfolios for our clients. Any past or current performance metrics used to determine the suitability of a security in an individual portfolio are not represented as guarantees or any assurances of future performance.

Additionally, we do not compile, review or audit financial statements of individual companies we research and recommend. As a result, we will not express any assurance on a company's future performance, including the reasonableness of assumptions and other data that we may collect. In addition, our services are not designed to discover fraud, irregularities or misrepresentations made in materials provided to us concerning potential investments.

### **Privately Issued Securities**

***Privately issued securities involve a higher degree of risk.*** We do not recommend privately issued securities to our clients. However, when clients have privately issued securities that they would like held in their account(s), we advise that caution must be exercised as private securities have the following characteristics:

- Privately issued securities are illiquid; they generally do not have a market to sell in and should you want to sell them now or in the future, it is not assured that any market will exist.
- Privately issued securities often have higher fees and expenses.
- Privately issued securities cannot be used as security or collateral for a loan.
- Privately issued securities are restricted securities and cannot be legally sold or transferred by you without the consent of the issuer.
- Privately issued securities are sold with a Private Placement Memorandum or Offering Statement.
- Before you purchase a privately issued security, you should read and understand the contents of the Private Placement Memorandum.
- The Private Placement Memorandum contains additional discussion and disclosures about the risks associated with privately issued securities.

### **Cybersecurity Risk**

The computer systems, networks and devices used by Etesian employ a variety of protections that are designed to prevent damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches. However, despite the rigorous protections we have established and employed, various systems, networks, or devices can potentially be breached. A cybersecurity breach has the potential to negatively impacted our clients. Cybersecurity breaches can include unauthorized access to systems, networks, or devices; infection from computer viruses or other malicious software code; and attacks that shut down, disable, slow, or otherwise disrupt operations, business processes, or website access or functionality. Cybersecurity breaches may cause disruptions and impact business operations, potentially resulting in financial losses to a client; impediments to trading; the inability by us and other service providers to transact business; violations of applicable privacy and other laws; regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs; as well as the inadvertent release of confidential information. Similar adverse consequences could result from cybersecurity breaches affecting issuers of securities in which a client invests; governmental and other regulatory authorities; exchange and other financial market operators, banks, brokers, dealers, and other financial institutions; and other parties. In addition, substantial costs may be incurred by these entities in order to prevent any cybersecurity breaches in the future.

### **Item 9 – Disciplinary Information**

Registered investment advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Etesian or the integrity of Etesian's management or our Advisors. Etesian has no information applicable to this Item 9 at this time.

### **Item 10 – Other Financial Industry Activities and Affiliations**

Etesian does not have any affiliations with any broker-dealers, other Investment Advisors, or any other professionals working in the Financial Industry.



## **Item 11 – Etesian’s Code of Ethics**

### **Participation or Interest in Client Transactions**

When Etesian employees, including investment advisory representatives, make investments for their own accounts, they may purchase or sell securities that are recommended to, purchased by, or sold to Etesian clients. Personal securities transactions by persons associated with Etesian are subject to Etesian's Code of Ethics. Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Under the Code, we require all employees to report their personal securities holdings and transactions. Certain classes of securities have been designated as exempt transactions, based upon a determination that these would not have a material impact or otherwise conflict with our clients' interests. In addition, our Code of Ethics requires pre-clearance of many transactions and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between Etesian and its clients. Etesian designed these policies to mitigate actual or potential conflicts of interest with clients investments. A copy of the Firm's Code of Ethics will be provided to any client or prospective client upon request.

### **Item 12 – Brokerage Practices**

Custodians are the entities that have physical possession of client assets and broker-dealers execute securities transactions in client accounts. Etesian primarily uses Charles Schwab for its brokerage and custodial services. Etesian is always independent of the custodian and clients have the right to choose a different custodian and broker-dealer.

Etesian’s objective in selecting brokers and dealers and in effecting portfolio transactions is to seek to obtain the best combination of price and execution services with respect to its accounts’ portfolio transactions. The best net price, considering brokerage commissions, spreads and other costs, is normally an important factor in this decision, but a number of other judgmental factors are considered as they are deemed relevant.

These factors include, but are not limited to: Etesian’s knowledge of negotiated commission rates and spreads currently available; nature of the security being traded; size and type of transaction; nature and character of the markets for the security to be purchased or sold; desired timing of the trade; current and expected activity in the market for the particular security; confidentiality; execution, clearance and settlement capabilities, as well as the reputation and perceived soundness of the broker-dealer selected. Other factors, which are considered, include Etesian’s knowledge of actual or apparent operational problems of any broker-dealer; the transactions to be executed; historical experience with the broker-dealer; and the reasonableness of spreads or commissions. In addition, as described below, brokers and dealers who provide brokerage and research services to Etesian, either directly or from third parties, may receive orders for transactions resulting in commissions being earned by them. In most cases, Etesian will execute client transactions with the client’s custodial broker-dealer. It is the experience of Etesian that with respect to most transactions, particularly transactions in mutual fund securities, the custodian’s broker-dealer will provide best execution.

### **Recommended Brokerage**

We generally recommend that clients establish a custodian brokerage relationship with Charles Schwab & Co., Inc (Schwab). It is Etesian’s experience that Schwab is generally capable of providing the required service, has a good business reputation, has provided good service to Etesian clients in the past and offers a reasonable fee structure, including zero commissions on equity and ETF trades. However, there is no guarantee that best execution will be achieved on every transaction.

## **Soft Dollars**

The term “soft dollars” is a term used in finance to describe a means by which financial firms, brokers, and brokerage are paid for their services by a third party as opposed to the normal direct fees paid (or hard dollars) by the client. Etesian does not accept soft dollar compensation from any financial product.

However, there are certain circumstances that soft dollar (non-monetary) arrangements will be accepted by Etesian- Under Section 28(e) of the Securities Exchange Act of 1934, an investment advisor can accept soft dollars, and is generally deemed to have acted lawfully and in a manner consistent with its fiduciary duties to clients’ under federal and state law, if the advisor determines in good faith that the benefits received by the advisor are reasonable in relation to the value of the brokerage and research products or services provided on behalf of their client.

For purposes of Section 28(e), the (non-monetary) benefits received by Etesian through a broker or another financial firm include:

- Written information and analyses concerning specific securities, companies or sectors;
- News, quotation, statistics and pricing services, as well as discussions with research personnel and consultants;
- Information from databases and other technical and/or telecommunications services utilized in the investment management process;
- Other consulting in connection with investigating and monitoring potential and existing investments and other products and/or services providing lawful and appropriate assistance to the investment advisor in the performance of its investment decision making responsibilities, without regard to whether the research products or services benefit or solely benefit the account bearing the commission charge.

Etesian fiduciary duty to clients is very important and we will maintain our this duty by only using soft dollar arrangements consistent with Section 28(e). If a product or service obtained provides both research and non-research assistance to Etesian (i.e., a “mixed use item”), we will pay for that non-qualified product or service from our own resources.

For our investment management services, Etesian recommends that clients establish brokerage accounts with independent custodians. In connection with this recommendation for a custodian, Etesian has considered the following:

- Price of the security and cost of the transaction
- Commission rate
- Speed and promptness of execution
- Responsiveness
- Confidentiality
- Back office capabilities
- Willingness and ability to handle complex trades
- Knowledge of, and access to potential market participants
- Reputation, overall knowledge of market and financial stability

## **Aggregated Trades**

Orders will generally be entered for execution on a first-in, first-out basis. Etesian may aggregate or “bunch” orders being placed for execution at the same time for the account of one or more clients where it believes that aggregation is appropriate and in the best interest of its clients. Under this procedure, transactions will be averaged as to price and transaction costs and will be allocated among Etesian's clients in proportion to the purchase and sale orders placed for each client account on any given day.



### **Etesian is independent of any custodian**

Account Management Services are provided for accounts opened at Etesian, with assets held in custody at various custodians. A separate account application and agreement will be executed between the client and the custodian and all trading activity in connection with client accounts will be effectuated by the custodian, except when the client elects to establish a prime brokerage arrangement, in which case, trades will be executed by other broker-dealers. Clients will authorize the custodian to pay Etesian's fees directly from one or more accounts maintained with each custodian.

### **Prime Brokerage Arrangements**

Etesian may use its discretionary authority to trade away from your broker custodian (Schwab or other custodians) when purchasing or selling fixed income securities.

This allows us to seek competitive fixed income offerings beyond what is offered by the custodian's inventory. It is not used in all cases or for every account Etesian manages. Each trade placed with a broker other than your custodian has an additional cost, which is charged by your custodian to settle the trade. This fee will be in addition to any markup, or markdown, that you may pay to purchase or sell your security. Etesian does not participate in these fees.

### **Custodians**

Etesian does not maintain custody of the assets that we manage on our client's behalf; although we are deemed to have custody of your assets in certain situations (see Item 15 – Custody, below). Your assets must be maintained in an account at a "qualified custodian" for our investment management services. A "qualified custodian includes a bank or savings association with deposits insured by the FDIC, a registered broker/dealer, a registered futures commission merchant, or a foreign financial institution holding client assets. The qualified custodian must deliver account statements directly to clients—not through advisors like Etesian—on at least a quarterly basis. The qualified custodian's account statement must include account positions, values, and all transactions within the statement period.

The majority of our clients use Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member SIPC, as their qualified custodian. As stated above, we are independently owned and operated and are not affiliated with Schwab. Schwab will hold assets in a brokerage account and buy and sell securities when we instruct them on such transactions. While we may recommend that you use Schwab as custodian/broker, you will decide whether to do so and will open your account with Schwab by entering into an account agreement directly with them. We do not open the account for you, although we assist you in doing so. Even though your account is maintained at Schwab, we can still use other brokers to execute trades for your account as described elsewhere in this section (see "Prime Brokerage Arrangements" and "Your Brokerage and Custody Costs").

### **How We Select and Recommend "Qualified" Brokers/Custodians**

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

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds [ETFs], etc.)
- Availability of investment research and tools that assist us in making investment decisions

- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Reputation, financial strength, and stability
- Prior service to us and our other clients
- Availability of other products and services that benefit us, as discussed below (see “Products and Services Available to Us From Schwab”)

### **Your Brokerage and Custody Costs**

Custodians/broker-dealers are generally compensated through transaction, activity, cash balance fees, and service fees in your account. While there are no commissions charged on stock and ETF transactions in your account, your broker-dealer/custodian charges other fees. Fixed income securities generally have the transaction cost built into the price, including brokered CDs, corporate bonds, and municipal bonds.

Some mutual funds have a zero transaction fee, while others charge a fee. We will analyze the costs of such transactions and purchase the mutual funds we believe are the most cost-efficient for our clients overall, factoring in trading costs, share class, and the ongoing fees the mutual funds charges for different purchase options.

You will be charged a flat dollar amount for "prime broker" or "trade away" fees for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, to minimize your trading costs, we have the custodians execute most trades for your account. We have determined that having the custodian execute most trades is consistent with our duty to seek "best execution" of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see "How We Select Brokers/Custodians").

### **Etesian’s relationship with Charles Schwab and Company**

Charles Schwab is in the business of serving the needs of independent investment advisory firms like us. They provide our clients and us with access to its institutional brokerage — trading, custody, reporting, and related services—many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts; while others help us manage and grow our business. Schwab's support services generally are available on an unsolicited basis (we don't have to request them) and at no charge to us because we maintain a certain asset level with them.

Following is a more detailed description of Schwab's support services related to Etesian.

#### **Services That Benefit You**

- 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 of which we might not otherwise have access, or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit you and your account.
- Access to Schwab’s research platform at [www.schwab.com](http://www.schwab.com)

#### **Services that Schwab offers Etesian that May Not Directly Benefit You:**

- Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account.
- These products and services assist us in managing and administering our clients’ accounts.

- They include investment research, both Schwab’s own and that of third parties.
- We may use this research to service all or a substantial number of our clients’ accounts, including accounts not maintained at Schwab.

In addition to investment research, Schwab also makes available, and Etesian takes advantage of using Schwab software and systems technology that:

- Provides us access to client account data (such as duplicate trade confirmations and account statements) and account tax information
- Facilitate our trades and execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payments of our fees from our clients’ accounts
- Assists us with back-office functions, recordkeeping, and client reporting

Schwab offers services that not only benefit Etesian but are intended to help Etesian manage and further develop our business enterprise. Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party’s fees. Schwab may also provide us with other benefits, such as occasional business entertainment of our personnel.

The Schwab services that Etesian uses in that regard are:

- Educational conferences and events
- Publications and conferences on practice management and business succession

### **Item 13 – Review of Accounts**

#### **Individual Client Account Review**

Asset management client accounts are reviewed by Stanley C. Lochrie, President of Etesian, or his designee, on at least a monthly basis for suitability, performance, and consistency with the client's investment objectives. Triggering factors (market conditions, buy/sell of a security, risk control parameters, sell disciplines) may compel Etesian and other investment managers to review accounts more frequently.

#### **Corporate Retirement Plan Review (“Retirement Planning Services”)**

Retirement plans are reviewed on at least a quarterly basis by Stanley C. Lochrie, President of Etesian, or his designee for suitability, performance and consistency with the client's investment objectives.

#### **Etesian Quarterly Reporting**

Etesian prepares client-specific quarterly performance reports for presentations to clients, usually in person. We will also provide performance reports upon client request.

### **Item 14 – Client Referrals and Other Compensation**

Etesian does not provide or receive any compensation or economic benefit for client referrals to or from anyone outside of our firm.

### **Item 15 – Custody**

All of our client funds and securities are held and maintained with a qualified custodian; we never take physical possession of client assets. Clients will receive account statements directly from the custodian at least quarterly,

which they should carefully review. We urge clients to carefully compare the custodian's account statements with the periodic statements and reports they receive from us and to notify us promptly of any discrepancies.

We have the ability to deduct our advisory fees directly from client accounts based on the client's written authorization to do so, and this ability is technically considered "custody" but doesn't require separate reporting.

In addition, clients can authorize us in writing to move money from their custodial account to a specified third-party; these are called standing letters of authorization ("SLOAs"). These SLOAs are considered "custody" under federal regulatory guidance and require us to report that we have custody over these account assets on our ADV 1A. In coordination with your custodian, we ensure that the seven required conditions dictated by the SEC are met to help protect your assets and we are not subject to a surprise custody audit.

### **Item 16 – Investment Discretion**

Where Etesian has discretionary management authority to manage clients' assets, we are authorized in writing by the client to determine the securities to be bought or sold and the total amount of securities to be bought or sold without the approval of the client each time. In addition, Etesian has the authority to determine without specific client consent, the broker or dealer to be used for securities transactions in the client's account. When selecting securities and determining amounts, Etesian observes the investment policies, limitations and restrictions of the clients for which it advises.

When your account is managed on a non-discretionary basis, or you impose material investment restrictions that cause an account to be deemed not fully discretionary, it would, therefore not be eligible for inclusion in discretionary management. Such situations include, but are not limited to:

- Restricting trading activities conditioned upon client approval
- Limiting sale of legacy stock (low-cost basis, or marked as client restricted)
- Restricting the purchase of certain securities or types of securities (socially responsible investing limitations, etc.)

### **Item 17 – Voting Client Securities**

Proxy voting is an important right of shareholders and reasonable care and diligence must be undertaken to ensure that such rights are timely and adequately exercised.

Etesian has developed Proxy Voting Guidelines to ensure that proxies for which Etesian has been delegated voting authority are voted in the best interest of the client. The delegation of proxy voting is at the sole discretion of the client and applies to all securities held in an account. The client must contact their custodian to instruct redirection of proxy materials and notify Etesian of any such proxy voting assignments. Etesian considers receipt of proxy materials as authorization by the client to vote proxies on their behalf. If clients wish to rescind this delegation of voting authority, they must contact their custodian as well as notify Etesian of this change. Clients should note that events causing the custodian to require new paperwork for an existing account may cause the coding for the proxy voting materials to default back to the client.

Etesian will not be responsible or liable for failing to vote any proxies where Etesian did not receive the proxies or related shareholder communications in a timely manner. Etesian may change these guidelines in response to general corporate governance practices, without providing prior notice of the changes to clients.

Etesian guidelines are not rigid policy positions nor are they intended to address all potential voting issues. Each matter is considered on a case-by-case basis and may be voted in a manner different from the guidelines. Etesian may elect to abstain from voting if it is determined that such action is in clients' best interest. You can obtain a copy of our proxy voting guidelines by contacting us directly. We can also provide you with information on how we voted

on a specific proxy item on request. Requests should identify the security and the proxy item in writing to assure they are clearly understood and submitted to Etesian.

## **Item 18 – Financial Information**

### **Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Etesian's financial condition. Etesian has no financial commitment that impairs its ability to meet contractual and fiduciary obligations to clients and has not been the subject of a bankruptcy proceeding.

## **Business Continuity and Privacy Policy**

### **Business Continuity**

As part of its fiduciary duty to clients, Etesian maintains an active Business Continuity Plan that the firm will follow in the event of a natural disaster, system failure, or loss of access affecting the company's operations. This plan includes a summary of the current services, identification of the services, identification of the services most critical to the company operations, and guidelines for how these services will be reconstituted following such an event. Our policies are, to the extent practicable, designed to address those specific types of disasters that Etesian may reasonably face given its business and locations.

### **Privacy Policy Notice**

As a client of Etesian, you share both public and private information with us. Your privacy is important to us, and we are dedicated to safeguarding your personal and financial information. We respect the privacy of our client relationships and we are committed to maintaining the highest level of confidentiality. In that regard, we are providing an annual Privacy Notice.

### **We collect personal financial information about you from the following sources**

- The information you provide us in the investment advisory agreement and account applications and other documents you complete in connection with the maintenance of your accounts
- Information you provided through oral and electronic communications
- Information we receive from third parties, such as brokerage firms, about your transactions and accounts
- Non-public information that is collected such as social security numbers, income account balances, securities and personal holdings, driver's license numbers, passport numbers, etc.

### **We do not disclose any nonpublic information about you to anyone, except in the following circumstances**

- When required to execute transactions for your account or otherwise to provide services you have requested with your designated custodial agent
- When you have specifically authorized us to do so in writing
- When permitted or required by law
- When information is required for disciplinary purposes through professional designations such as Fi360, the CFP Board, the AICPA, or other professional organizations where complaints may be filed

### **Within our firm:**

- We limit employee and agent access to information only to those who have a business or professional reason for knowing, and only to nonaffiliated parties as permitted by law. (For example, federal regulations permit us to share a limited amount of information about you with a brokerage firm in order to execute securities'

transactions on your behalf or so that our firm can discuss your financial situation with your accountant or lawyer.)

- We maintain a secure office and computer environment to ensure that your information is not placed at unreasonable risk.
- The categories of nonpublic personal information that we collect from a client depend upon the scope of the client engagement. It will include information about your personal finances, information about your health to the extent that it is needed for the planning process, information about transactions between you and third parties, and information from consumer reporting agencies.
- For unaffiliated third parties that require access to your personal information, including financial service companies, consultants, and auditors, we also require strict confidentiality in our agreements with them and expect them to keep this information private. Federal and state regulators also may review firm records as permitted under law.
- We do not provide your personally identifiable information to mailing list vendors or solicitors for any purpose.
- Personally identifiable information about you will be maintained during the time you are a client, and for the required time thereafter that such records are required to be maintained by federal and state securities laws, and consistent with the CFP Board Code of Ethics and Professional Responsibility. After this required period of record retention, all such information might be destroyed.

If you have any questions about our privacy policy, please call us at 503-387-3615.