

# Transce3nd, LLC.

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**March 30, 2023**

**Part 2A Brochure**

This brochure provides information about the qualifications and business practices of Transce3nd LLC ("TE3"). TE3 markets the advisory business under the name e3 Wealth. If you have any questions about the contents of this brochure, please contact us at 512-268-9220. 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. Transce3nd LLC is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training. Additional information about Transce3nd LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as an IARD number. The IARD number for Transce3nd LLC is 317745.

## ITEM 2 – MATERIAL CHANGES

### SUMMARY OF MATERIAL CHANGES

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

We have made the following material changes since our last annual amendment filing:

- The Firm applied for registration with the U.S. Securities and Exchange Commission on September 1, 2022.
- Item 4 and Item 5 were updated to indicate additional services offered by the Firm such as discretionary investment management services and retirement plan advisory services.
- Item 4 was updated to indicate disclosure regarding retirement plan rollover options.
- Effective January 1, 2023, M. Michael McComb was named Chief Compliance Officer.
- Item 5 was amended to reflect updated language regarding our fees and billing methods.
  - Our Firm’s maximum annual advisory fee is 1.65% for accounts paying a percentage of assets under management.
  - Our Firm offers financial planning services for a separate fee. Financial Planning fees range from \$500 to \$10,000 and are negotiable. The full Financial Planning Fee (100%) is collected upon signing the Financial Planning Agreement.
  - Fees can be paid via check to our Firm from your personal bank account or can be invoiced and processed through a third-party nonaffiliated service, AdvicePay.
  - For our Retirement Plan clients, asset-based fees range from 0.50% to 1.00% annually and fixed fees range from \$3,000-\$25,000 annually.

Currently, a free copy of our Brochure may be requested by contacting Michael McComb, Chief Compliance Officer of TE3 at 512-268-9220.

We encourage you to read this document in its entirety.

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## ITEM 4 – ADVISORY BUSINESS

This Disclosure document is being offered to you by Transce3nd LLC (“TE3” or “Firm”) about the investment advisory services we provide. It discloses information about the services that we provide and the way those services are made available to you, the client.

Transce3nd LLC (TE3” or the “Firm”) is a registered investment advisor. The Firm markets their advisory services under the name e3 Wealth. TE3 was founded in November 2021 and became a registered investment adviser in the State of Texas in May 2022. The Principal Owner of TE3 is Joseph Allen Quartucci. The Chief Compliance Officer of TE3 is M. Michael McComb.

We are committed to helping clients build, manage, and preserve their wealth. Our Firm provides services that help clients to achieve their stated financial goals. We will offer initial complimentary meetings upon our discretion; however, investment advisory services are initiated only after you and TE3 execute an Investment Management Agreement.

### INVESTMENT MANAGEMENT AND SUPERVISION SERVICES

We offer discretionary and non-discretionary investment management and investment supervisory services for a fee based on a percentage of your assets under management. The discretionary investment management services include investment analysis, allocation of investments, quarterly portfolio statements, financial commentaries, and ongoing monitoring of client portfolios.

We determine your portfolio composition based on your needs, your portfolio restrictions, if any, your financial goals and your risk tolerances. We will work with you to obtain necessary information regarding your financial condition, investment objectives, liquidity requirements, risk tolerance, time horizons, and any restrictions on investing. This information enables us to determine the portfolio best suited for your investment objective and needs. We primarily allocate client assets among individual stocks, bonds, exchange traded funds (“ETFs”), options, mutual funds, cash and other public and private securities or investments. All of which are considered asset allocation categories for the client’s investment strategy.

We will rebalance the portfolio, as we deem appropriate, to meet your financial objectives. For discretionary accounts, we will trade these portfolios and rebalance them on a discretionary basis based on our market views and on your investment objectives, using our investment philosophy and process as outlined in Item 8 in this Brochure. We tailor our advisory services to meet the needs of our clients and seek to ensure that client portfolios are managed in a manner consistent with those financial needs and investment objectives.

We do have limited authority to direct the Custodian to deduct our investment advisory fees from your accounts, but only with the appropriate authorization by you on our Discretionary Investment Management Agreement and the Custodian paperwork.

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

There may be times a non-discretionary account relationship exists with our firm. In these circumstances, the client may call in to facilitate a trade on their account. Our Advisors will assist in facilitating the transaction on behalf of the client but we do not have continuous or supervisory

oversight on such accounts and do not bill advisory fees for such relationships. Under a non-discretionary relationship, the custodian may charge additional fees such as transaction costs, custodial fees, redemption fees, retirement plan and administrative fees or commissions.

Clients may engage us to advise on certain investment products that are not maintained at our Firm's recommended custodian, and assets held in employer sponsored retirement plans. Where appropriate, we provide advice about any type of held away account that is part of a client portfolio.

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

In performing our services, we shall not be required to verify any information received from you or from other professionals. We may recommend and/or engage the services of other professionals for implementation purposes. You are under no obligation to engage the services of any such recommended professional.

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## **FINANCIAL PLANNING**

Through the financial planning process, our team strives to engage our clients in conversations around the family's goals, objectives, priorities, vision, and legacy – both for the near term as well as for future generations. With the unique goals and circumstances of each family in mind, our team will offer financial planning ideas and strategies to address the client's holistic financial picture, including estate, income tax, charitable, cash flow, wealth transfer, and family legacy objectives. Our team partners with our client's other advisors (CPAs, Enrolled Agents, Estate Attorneys, Insurance Brokers, etc.) to ensure a coordinated effort of all parties toward the client's stated goals. Such services include various reports on specific goals and objectives or general investment and/or planning recommendations, guidance to outside assets, and periodic updates.

Our specific services in preparing your plan may include:

- Review and clarification of your financial goals.
- Assessment of your overall financial position including cash flow, balance sheet, investment strategy, risk management, and estate planning.
- Creation of a unique plan for each goal you have, including personal and business real estate, education, retirement or financial independence, charitable giving, estate planning, business succession, and other personal goals.
- Development of a goal-oriented investment plan, with input from various advisors to our clients around tax suggestions, asset allocation, expenses, risk, and liquidity factors for each goal. This includes IRA and qualified plans, taxable, and trust accounts that require special attention.
- Design of a risk management plan including risk tolerance, risk avoidance, mitigation, and transfer, including liquidity as well as various insurance and possible company benefits; and
- Crafting and implementation of, in conjunction with your estate and/or corporate attorneys as tax advisor, an estate plan to provide for you and/or your heirs in the event of an incapacity or death.

A written evaluation of each client's initial situation or Financial Plan is provided to the client.

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## **USE OF THIRD-PARTY MONEY MANAGERS**

We provide investment advice, recommendations and utilize the investment strategies of Outside Investment Managers (“Managers”) through a tri-party relationship. Selected Managers are evaluated by us for use in a client’s account. Managers selected by us may offer multiple strategies. Our Firm will monitor Managers to ensure that it adheres to the philosophy and investment style for which it was selected and to ensure that its performance, portfolio strategies, and management remain aligned with the client’s overall investment goals and objectives. Our ongoing review includes, but is not limited to, assessment of the Manager’s disclosure brochure, performance information, materials, personnel turnover, and regulatory events. Factors we will consider in recommending a particular Manager include, but are not limited to, the client’s stated investment objectives, management style, independence, stature of the custodian utilized by the Manager, performance, philosophy, financial strength, continuation of management, client service, reporting, commitment to a particular investment mandate, fees, trading efficiency, and research.

When use of a Manager is recommended in a client portfolio, the account will be traded by outside the Manager (externally traded). All research, investment selections and portfolio decisions are the responsibility of the Manager, not by our Firm. Performance reporting may be the provided by the Manager. Our Firm will maintain discretion over the client account to move within strategies offered by the Manager.

The client will enter into a tri-party agreement with the Manager and our Firm. All third-party Managers to whom we will refer or engage for clients will be licensed as registered investment advisors by their resident state and any applicable jurisdictions or registered investment advisors with the U.S. Securities and Exchange Commission (“SEC”).

Our Firm receives no additional benefits from the Manager related to this arrangement outside from the advisory fee billed by our Firm. Our Firm, in conjunction with the Manager, will continue to provide advisory services to the Client for the ongoing monitoring, review, and reporting of the overall account performance and maintain the appropriate strategy for the client portfolio in line with their risk profile.

Third-party managed programs generally have account minimum requirements that will vary from investment advisor to investment advisor. A complete description of the Manager’s services, fee schedules and account minimums will be disclosed in the Manager’s Form ADV or similar Disclosure Brochure which will be provided to clients at the time an agreement for services is executed and account is established.

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## **RETIREMENT PLAN ADVISORY SERVICES**

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

Pursuant to Section 402(c)(3) of ERISA, the client may appoint us as the Plan’s “investment manager” with respect to the Plan’s portfolio of investment options. We acknowledge that we are registered as an investment adviser under the SEC. Our firm acts as a “fiduciary” within the meaning of Section 3(21) of ERISA with respect to the Plan. We offer advisory services to

employer sponsored retirement plans such as 401(k), 457, 403(b), and ROBS Plans (Rollovers as Business Start-Ups). On the plan level, we manage the investment line-up making changes as necessary as well as providing risk-based investment models for the participants. On the individual participant level, we manage risk-based models using the current investment lineup based on risk tolerance of the individual investor. For employer-sponsored retirement plans with participant-directed investments, our firm provides its advisory services as an investment advisor as defined under Section 3(21) of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”).

When serving as an ERISA 3(21) investment adviser, the Plan Sponsor and our Firm share fiduciary responsibility. The Plan Sponsor retains ultimate decision-making authority for the investments and may accept or reject the recommendations in accordance with the terms of a separate ERISA 3(21) Plan Sponsor Investment Management Agreement between our Firm and the Plan Sponsor. Under the 3(21) agreements, our Firm can provide the following services to the Plan Sponsor:

- **Review or Development of an Investment Policy Statement**
- **Perform Due Diligence on Money Managers**
- **Provide Initial Investment and Management Selection** - Our Firm typically uses mutual funds/managed accounts/collective trusts/cash equivalents to structure portfolios designed to meet client objectives and risk profiles.
  - Provide ongoing Performance Evaluation and Monitoring of Money Managers
  - Make Investment Recommendations when necessary
- **Retirement Plan Services Analysis** - Our Firm will conduct an analysis of a client’s retirement plan to evaluate the services currently provided to the client by third parties. The areas of analysis may include asset management services, record keeping, administration, customer service, participant education, etc. These services may also include a cost/benefit analysis, recommendation of alternative vendors, facilitation of the RFP process for solicitation of a new vendor, and/or assistance in fee negotiations with proposed vendors.
- **Provide Employee Education Services** - Our Firm will provide enrollment and educational services the content of the program will be generic in nature.

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## **TAX PLANNING AND PREPARATION**

Our Firm’s Investment Adviser Representatives, through separate entities, can provide tax planning and preparation for individuals and business owners. These services are provided to the client for a separate fee. Accounting services performed by these tax professionals will be separate and distinct from our advisory services.

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## **DISCLOSURE REGARDING ROLLOVER RECOMMENDATIONS**

A client or prospect leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer’s plan, if permitted, (ii) roll over the assets to the new employer’s plan, if one is available and rollovers are permitted, (iii) rollover to an Individual Retirement Account (“IRA”), or (iv) cash out the account value (which could, depending upon the client’s age, result in adverse tax consequences). Our Firm may recommend an investor roll over plan assets to an IRA for which

our Firm provides investment advisory services. As a result, our Firm and its representatives may earn an asset-based fee. In contrast, a recommendation that a client or prospective client leave their plan assets with their previous employer or roll over the assets to a plan sponsored by a new employer will generally result in no compensation to our Firm. Our Firm therefore has an economic incentive to encourage a client to roll plan assets into an IRA that our Firm will manage, which presents a conflict of interest. To mitigate the conflict of interest, there are various factors that our Firm will consider before recommending a rollover, including but not limited to: (i) the investment options available in the plan versus the investment options available in an IRA, (ii) fees and expenses in the plan versus the fees and expenses in an IRA, (iii) the services and responsiveness of the plan's investment professionals versus those of our Firm, (iv) protection of assets from creditors and legal judgments, (v) required minimum distributions and age considerations, and (vi) employer stock tax consequences, if any. All rollover recommendations are also reviewed by our Firm's Chief Compliance Officer in a best effort to determine that the recommendation to a client was reasonable or that the client has determined to make the rollover after being provided ample information about their options. No client is under any obligation to roll over plan assets to an IRA advised by our Firm or to engage our Firm to monitor and/or advise on the account while maintained with the client's employer. Our Firm's Chief Compliance Officer remains available to address any questions that a client or prospective client has regarding this disclosure.

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

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#### **WRAP FEE PROGRAM**

Our Firm does not offer a Wrap Fee Program.

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#### **ASSETS**

As of December 31, 2022, our Firm managed a total of \$184,339,939 in regulatory assets under management, all of which is managed under discretionary authority.

### **ITEM 5 - FEES AND COMPENSATION**

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#### **INVESTMENT MANAGEMENT FEES AND COMPENSATION**

TE3 charges a fee as compensation for providing Investment Management services on your account. These services include advisory and consulting services, trade entry, investment supervision, and other account-maintenance activities. Our recommended custodian charges transaction costs, custodial fees, redemption fees, retirement plan and administrative fees or commissions. See Additional Fees and Expenses below for additional details.



The fees for portfolio management are based on an annual percentage of assets under management and are applied to the account asset value on a pro-rata basis. Advisory fees are billed monthly in arrears and calculated based on balance of the account(s) during the month.

TE3's maximum annual advisory fee is 1.65% for accounts paying a percentage of assets under management. The specific advisory fees are set forth in your Investment Advisory Agreement.

The Fee is custom per client based on services provided based on the entirety of their relationship with the firm. A lower fee percentage may not always reflect a lower fee amount. If our firm charges asset-based fees, it is important to understand that the more assets held in the account, the more you will pay in fees.

The market value will be determined as reported by the Custodian. Fees are assessed on all assets under management. Cash and money market balances will be included in billing. Margin account balances are not included in the fee billing. We do not impose a minimum account value to initiate our Firm's advisory and money management services. In certain circumstances, our fees and the timing of the fee payments may be negotiated. Our employees and their family-related accounts are charged a reduced fee for our services.

Unless otherwise instructed by the client, in certain cases, we will aggregate asset amounts in accounts from your same household together to determine the advisory fee for all your accounts. For example, if we manage accounts from the individual, our Firm will include joint accounts for a spouse, minor children and/or Trust accounts. This consolidation practice is designed to allow you the benefit of an increased asset total, which could cause your account(s) to be assessed a lower advisory fee.

The independent qualified custodian holding your funds and securities will debit your account directly for the advisory fee and pay that fee to us. You will provide written authorization permitting the fees to be paid directly from your account held by the qualified custodian. Further, the qualified custodian agrees to deliver an account statement monthly directly to you indicating all the amounts deducted from the account including our advisory fees. At our discretion, our Firm will allow advisory fees to be paid by check as indicated in the Investment Advisory Agreement. You are encouraged to review your account statements for accuracy.

The investment advisory Agreement may be terminated by the client within five (5) business days of signing the Agreement without penalty or incurring any advisory fees. After the 5 business days, either party giving written notice to the other may cancel the Investment Advisory Agreement at any time for any reason. Either TE3 or you may terminate the management agreement immediately upon written notice to the other party. The management fee will be pro-rated to the date of termination, for the month in which the cancellation notice was given. Upon termination, you are responsible for monitoring the securities in your account, and we will have no further obligation to act or advise with respect to those assets. In the event of client's death or disability, TE3 will continue management of the account until we are notified of client's death or disability and given alternative instructions by an authorized party.

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### **THIRD PARTY MONEY MANAGER FEES**

As discussed in Item 4 above, there will be occasions where an independent Registered Investment Advisory firm acts as a third-party Manager to our client's accounts. In those circumstances, the Manager will manage the assets based upon the parameters provided by our Firm. Manager fees and services will be indicated on the tri-party Investment Advisory Agreement

executed by the client, the Manager and TE3. The Manager fee is included in the total advisory fee billed to the client account. Total Manager and TE3 advisory fees are not to exceed 1.65%.

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### **FINANCIAL PLANNING FEES**

Our Firm offers financial planning services for a separate fee. Financial Planning fees range from \$500 to \$10,000 and are negotiable. Fees may vary based on the extent and complexity of your individual or family circumstances and the amount of your assets under our management. The fee will be determined based on factors including the complexity of your financial situation, agreed upon deliverables, and whether you intend to implement any recommendations through TE3.

Your billing method is agreed to in advance of performing services and is agreed to and acknowledged in the Financial Planning Agreement executed by you and our Firm. The full Financial Planning Fee (100%) is collected upon signing the Financial Planning Agreement. Fees are to be paid via check to TE3 or billed through AdvicePay (*refer to disclosure below regarding AdvicePay*). The specific fee for your financial plan will be discussed with you and specified in your planning agreement with TE3. Typically, we complete a plan within a month and will present it to you within 90 days of the contract date, if you have provided us all information needed to prepare the financial plan.

If you choose to terminate the financial planning agreement by providing us with written notice. Upon termination, any fees will be fully refunded back to you.

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### **RETIREMENT PLAN SERVICES**

For Retirement Plan Advisory Services compensation, we charge an advisory fee as negotiated with the Plan Sponsor and as disclosed in the Employer Sponsored Retirement Plans Consulting Agreement (“Plan Sponsor Agreement”). The compensation method is explained and agreed upon in advance before any services are rendered. Asset based fees range from 0.50% to 1.00% annually and fixed fees range from \$3,000-\$25,000 annually.

Plan advisory services begin with the effective date of the Plan Sponsor Agreement, which is the date you sign the Plan Sponsor Agreement. For that calendar quarter, fees will be adjusted pro rata based upon the number of calendar days in the calendar quarter that the Agreement was effective. Our fee is billed in advance and/or arrears on the last business day of the calendar quarter or month as outlined in the Agreement. For Plans where our fee is billed to the custodian, the fee is deducted directly from the participant accounts. Written authorization permitting us to be paid directly from the custodial account is outlined in the Agreement.

Either party may terminate the Investment Advisory Agreement at any time upon immediate notice. You are responsible to pay for services rendered until the termination of the Agreement. If billed in advance, the management fee will be pro-rated to the date of termination and any unearned fees will be refunded to you or any earned fee will be billed to the account. Upon termination, you are responsible for monitoring the securities in your account, and we will have no further obligation to act or advise with respect to those assets.

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## **ADVICEPAY**

Fees can be paid via check to our Firm from your personal bank account or can be invoiced and processed through a third-party nonaffiliated service, AdvicePay. Clients will be asked to set up their bank account or credit card at AdvicePay to enable credit card or ACH payments. While AdvicePay allows firms like ours to receive payments directly from the client's credit card or bank account, it does not give our Firm access to the bank account itself, nor to any of the client's credit card or bank account information. Our Firm is not able to initiate any additional payments via AdvicePay as agreed upon and outlined in the Agreement.

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## **ADMINISTRATIVE SERVICES**

Through our relationship with AE Wealth Management (AEWM), our Firm utilizes AEWM's technology platform to support data reconciliation, performance reporting, fee calculation and billing, research, client database maintenance, quarterly performance evaluations, payable reports, web site administration, models, trading platforms, and other functions related to the administrative tasks of managing client accounts. Due to this arrangement, AEWM will have access to client information, but AEWM will not serve as an investment advisor to our clients. TE3 and AEWM are non-affiliated companies. AEWM charges our Firm an annual fee for each account administered by AEWM. The annual fee is paid from the portion of the Client's monthly management fee billed to the Client by our Firm.

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## **ADDITIONAL FEES AND EXPENSES**

In addition to the advisory fees paid to our Firm, clients also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks, and other financial institutions (collectively "Financial Institutions"). These additional charges include custodial fees, charges imposed by a mutual fund or ETF in a client's account, as disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Our brokerage practices are described at length in Item 12, below.

Examples of the investments outside the typical securities that may have additional fees at the Custodian:

- REITS (To be billed by custodian - \$100 initial purchase fee, \$125 annual holding fee, \$10 redemption fee)
- Private Investments (To be billed by custodian - \$100 initial purchase fee, \$125 annual holding fee, \$10 redemption fee)

Our Firm will not require prepayment of more than \$1,200 in fees per client, six (6) or more months in advance of providing any services. In no case are our fees based on, or related to, the performance of your funds or investments.

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## **NON-TRANSACTION FEE (NTF) MUTUAL FUNDS**

When selecting investments for our clients' portfolios we might choose mutual funds on your account custodian's Non-Transaction Fee (NTF) list. This means that your account custodian will

not charge a transaction fee or commission associated with the purchase or sale of the mutual fund.

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

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

Our Firm does not engage in performance-based fees. No supervised person is compensated by performance-based fees. Performance-based fees may create an incentive for the advisor to recommend an investment that may carry a higher degree of risk.

#### **ITEM 7 - TYPES OF CLIENTS**

Our Firm works with the following types of clients: individuals, high net-worth individuals, foundations, employer sponsored retirement plans, charitable organizations, institutions, trusts and estates.

We do not impose a minimum account value to initiate our Firm's advisory and wealth management services.

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

We seek to recommend investment strategies that will give a client a diversified portfolio consistent with the client's investment objective. We do this by analyzing the various securities, investment strategies, and third-party management firms. The goal is to identify a client's risk tolerance, and then find a manager with the maximum expected return for that level of risk.

Our investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio.

We utilize both fundamental and technical analysis. We gather our information from a broad array of financial resources including financial newspapers, magazines, research prepared by others, corporate rating services, company press releases, annual reports, prospectuses and filings with the Securities and Exchange Commission.

We determine how to allocate assets among the various asset classes based on the client's investment strategy that is chosen, prevailing economic conditions and our determination of where we are in the economic cycle. Potential risks and opportunities are weighed to determine to what degree the portfolio should be invested.

From time to time, market conditions may cause your account to vary from the established allocation. To remain consistent with the asset allocation guidelines established, your account is monitored on an ongoing basis and rebalanced to the original allocation, or if deemed beneficial,

to a new allocation based on the then prevailing economic conditions and within the guidelines of the chosen investment strategy.

In addition to the rebalancing, overall market conditions and microeconomic factors that affect specific holdings in your account may trigger changes in allocation. Your account may also receive informal reviews more frequently.

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## INVESTMENT ANALYSIS

- **FUNDAMENTAL ANALYSIS:** We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell). Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.
- **QUANTITATIVE ANALYSIS:** We use mathematical ratios and other performance appraisal methods in attempt to obtain more accurate measurements of a model manager's investment acumen, idea generation, consistency of purpose and overall ability to outperform their stated benchmark throughout a full market cycle. Additionally, we perform periodic measurements to assess the authenticity of returns. A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.
- **TECHNICAL ANALYSIS:** We use this method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. Technical analysts believe that the historical performance of stocks and markets are indications of future performance. Technical analysis is even more subjective than fundamental analysis in that it relies on proper interpretation of a given security's price and trading volume data. A decision might be made based on a historical move in a certain direction that was accompanied by heavy volume; however, that heavy volume may only be heavy relative to past volume for the security in question, but not compared to the future trading volume. Therefore, there is the risk of a trading decision being made incorrectly, since future trading volume is an unknown. Technical analysis is also done through observation of various market sentiment readings, many of which are quantitative. Market sentiment gauges the relative degree of bullishness and bearishness in a given security, and a contrarian investor utilizes such sentiment advantageously. When most traders are bullish, then there are very few traders left in a position to buy the security in question, so it becomes advantageous to sell it ahead of the crowd. When most traders are bearish, then there are very few traders left in a position to sell the security in question, so it becomes advantageous to buy it ahead of the crowd. The risk in utilization of such sentiment technical measures is that a very bullish reading can always become more bullish, resulting in lost opportunity if the money manager chooses to act upon the bullish signal by selling out of a position. The reverse is also true in that a bearish reading of sentiment can always become more bearish, which may result in a premature purchase of a security.

- **ASSET ALLOCATION:** Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance. A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

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## **INVESTMENT PHILOSOPHY**

Prior to making recommendations, we determine your financial status, needs, time horizon, investment objectives, risk tolerance, and tax status. From this, we create an investor profile and general asset allocation target. While we believe asset allocation is a key factor affecting long-term rate of return, we also believe fundamental research and securities selection are vital. To that end, we select from a narrow, refined list of institutional fund managers known for excellence in their respective disciplines. We focus primarily on the people, processes, research, consistency, and culture rather than simply recent "high performance" or "track record".

As much as reasonably possible, we strive to:

- Diversify strategically with non-correlating assets.
- Balance between growth and value styles.
- Diversify globally.
- Rebalance as markets change.
- Manage for tax efficient returns wherever possible.

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## **SUB-ADVISOR, INDEPENDENT THIRD-PARTY MANAGER**

We seek to recommend investment strategies that will give a client a diversified portfolio consistent with the Client's investment objective. We do this by analyzing the various securities, investment strategies, and third-party management firms. The goal is to identify a client's risk tolerance, and then find a manager with the maximum expected return for that level of risk.

We examine the experience, expertise, investment philosophies and past performance of independent, third-party managers in an attempt to determine if that Manager has demonstrated an ability to invest over a period of time and in different economic conditions. We monitor the Managers' 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 Managers' compliance and business enterprise risks.

A risk of investing with a third-party Manager who has been successful in the past is that he/she may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a managers' portfolio, there is also a risk that the 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 Managers' daily business and compliance operations, we may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

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## **INVESTMENT SUBSCRIPTION SERVICES**

Our Firm does engage the services of unaffiliated and independent registered investment advisor(s) (“Signal Providers”) to receive buy and sell signals, research, or other information that the Firm uses to manage a particular strategy/portfolio. Such Signal Providers will not act as fiduciaries with respect to any client as they are engaged to provide market-related services to our Firm. In providing individualized investment advice, our Firm will invest a client’s assets in accordance with the recommendations of one or more Signal Providers or may invest the account in any manner it deems appropriate based on the client’s personal objectives. All fees incurred by the subscription to various Signal Providers are paid by our Firm (as a percentage of the fees generated within a particular strategy). Thus, a portion of the advisory fee paid by a client to our Firm may be used to compensate such third-party providers or consultants.

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## **MUTUAL FUND SHARE CLASS**

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

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## **STRUCTURED PRODUCTS**

Transce3nd LLC will recommend Structured Products. Structured Products are complicated investment alternatives that combine features of debt and equity. It is important that you fully understand their potential risks and benefits before investing.

Structured Products may involve a high degree of risk including, but not limited to, unanticipated market conditions, counterparty or issuer default, issues involving the underlying security, and liquidity. Please read the important disclosures contained in the Pricing Supplement, Product Supplement, Term Sheet, Fact Supplement, Offering Circular, Preliminary, Supplemental or Final Prospectus, Offering Memorandum, or other materials prepared by the issuer (collectively, “Sales

Material”) prior to any purchase of a Structured Product. For more information, or to request Sales Material for a specific Structured Product, contact your Registered Associated Persons.

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## RISK OF LOSS

A client’s investment portfolio is affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic conditions, changes in laws and national and international political circumstances.

Investing in securities involves certain investment risks. Securities may fluctuate in value or lose value. Clients should be prepared to bear the potential risk of loss. TE3 will assist Clients in determining an appropriate strategy based on their tolerance for risk.

Each Client engagement will entail a review of the Client’s investment goals, financial situation, time horizon, tolerance for risk and other factors to develop an appropriate strategy for managing a client’s account. Client participation in this process, including full and accurate disclosure of requested information, is essential for the analysis of a client’s account(s). TE3 shall rely on the financial and other information provided by the Client or their designees without the duty or obligation to validate the accuracy and completeness of the provided information. It is the responsibility of the Client to inform TE3 of any changes in financial condition, goals or other factors that may affect this analysis.

Our methods rely on the assumption that the underlying companies within our security allocations are accurately reviewed by the rating agencies and other publicly available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

Investors should be aware that accounts are subject to the following risks:

- **MARKET RISK** - Even a long-term investment approach cannot guarantee a profit. Economic, political, and issuer-specific events will cause the value of securities to rise or fall. Because the value of investment portfolios will fluctuate, there is the risk that you will lose money and your investment may be worth more or less upon liquidation.
- **FOREIGN SECURITIES AND CURRENCY RISK** - Investments in international and emerging-market securities include exposure to risks such as currency fluctuations, foreign taxes and regulations, and the potential for illiquid markets and political instability.
- **CAPITALIZATION RISK** - Small-cap and mid-cap companies may be hindered as a result of limited resources or less diverse products or services. Their stocks have historically been more volatile than the stocks of larger, more established companies.
- **INTEREST RATE RISK** - In a rising rate environment, the value of fixed-income securities generally declines, and the value of equity securities may be adversely affected.
- **CREDIT RISK** - Credit risk is the risk that the issuer of a security may be unable to make interest payments and/or repay principal when due. A downgrade to an issuer’s credit rating or a perceived change in an issuer’s financial strength may affect a security’s value and thus, impact the fund’s performance.
- **LIQUIDITY RISK:** Liquidity risk is the risk that there may be limited buyers for a security when an investor wants to sell. Typically, this results in a discounted sale price in order to attract a buyer.



- **DEFAULT RISK** - A default occurs when an issuer fails to make payment on a principal or interest payment.
- **EVENT RISK** - Event risk is difficult to predict because it may involve natural disasters such as earthquakes or hurricanes, as well as changes in circumstance from regulators or political bodies.
- **POLITICAL RISK** - Political risk is the risk associated with the laws of the country, or to events that may occur there. Particular political events such as a government's change in policy could restrict the flow of capital.
- **DURATION RISK** - Duration is a way to measure a bond's price sensitivity to changes in interest rates. The duration of a bond is determined by its maturity date, coupon rate, and call feature. Duration is a method to compare how different bonds will react to interest rate changes. If a bond has a duration of five (5) years, it means that the value of that security will decline by approximately five percent (5%) for every one percent (1%) increase in interest rates.
- **REINVESTMENT RISK:** Reinvestment risk is the risk that future interest and principal payments may be reinvested at lower yields due to declining interest rates.
- **TAX RISK:** For municipal bonds, depending on the client's state of residence, the interest earned on certain bonds may not be tax-exempt at the state level. Also, changes in federal tax policy may impact the tax treatment of interest and capital gains of an investment.
- **REGULATORY RISK:** Market participants are subject to rules and regulations imposed by one or more regulators. Changes to these rules and regulations could have an adverse effect on the value of an investment.
- **CONCENTRATION RISK:** The risk of amplified losses that may occur from having a large portion of your holdings in a particular investment, asset class or market segment relative to your overall portfolio.
- **SECURITIES LENDING RISK** - Securities lending involves the risk that the fund loses money because the borrower fails to return the securities in a timely manner or at all. The fund could also lose money if the value of the collateral provided for loaned securities, or the value of the investments made with the cash collateral, falls. These events could also trigger adverse tax consequences for the fund.
- **EXCHANGE-TRADED FUNDS** - ETFs face market-trading risks, including the potential lack of an active market for shares, losses from trading in the secondary markets, and disruption in the creation/redemption process of the ETF. Any of these factors may lead to the fund's shares trading at either a premium or a discount to its "net asset value."
- **CYBERSECURITY RISK** - In addition to the Material Investment Risks listed above, investing involves various operational and "cybersecurity" risks. These risks include both intentional and unintentional events at our firm or one of its third-party counterparties or service providers, that may result in a loss or corruption of data, result in the unauthorized release or other misuse of confidential information, and generally compromise our Firm's ability to conduct its business. A cybersecurity breach may also result in a third-party obtaining unauthorized access to our clients' information, including social security numbers, home addresses, account numbers, account balances, and account holdings. Our Firm has established business continuity plans and risk management systems designed to reduce the risks associated with cybersecurity breaches. However, there are inherent limitations in these plans and systems, including those certain risks may not have been identified, in large part because different or unknown threats may emerge in the future. As such, there is no guarantee that such

efforts will succeed, especially because our Firm does not directly control the cybersecurity systems of our third-party service providers. There is also a risk that cybersecurity breaches may not be detected.

- **COMMODITIES RISK** - Exposure to commodities in Adviser Clients accounts is in non-physical form, such as ETFs or mutual funds, there are risks associated with the movement in gold prices and the ability of the fund or trust manager to respond or deal with those price movements. There also may be initial charges as well as annual management fees associated with the fund or trust.
- **OPTION RISK:** Variable degree of risk. Transactions in options carry a high degree of risk. Purchasers and sellers of options should familiarize themselves with the type of option (i.e., put or call) which they contemplate trading and the associated risks. Traders of options should calculate the extent to which the value of the options must increase for the position to become profitable, taking into account the premium and all transaction costs.
  - The purchaser of options may offset or exercise the options or allow the options to expire. The exercise of an option results either in a cash settlement or in the purchaser acquiring or delivering the underlying interest. If the option is on a future, the purchaser will acquire a futures position with associated liabilities for margin (see the section on Futures below). If the purchased options expire worthless, the purchaser will suffer a total loss of the investment. In purchasing deep out-of-the-money options, the purchaser should be aware that the chance of such options becoming profitable ordinarily is remote.
  - Selling ("writing" or "granting") an option generally entails considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess of that amount. The seller will be liable for additional margin to maintain the position if the market moves unfavorably. The seller will also be exposed to the risk of the purchaser exercising the option and the seller being obligated to either settle the option in cash or to acquire or deliver the underlying interest. If the option is on a future, the seller will acquire a position in a future with associated liabilities for margin (see the section on Futures below). If the option is "covered" by the seller holding a corresponding position in the underlying interest or a future or another option, the risk may be reduced. If the option is not covered, the risk of loss can be unlimited.
  - Certain exchanges in some jurisdictions permit deferred payment of the option premium, exposing the purchaser to liability for margin payments not exceeding the amount of the premium. The purchaser is still subject to the risk of losing the premium and transaction costs. When the option is exercised or expires, the purchaser is responsible for any unpaid premium outstanding at that time.
- **RESPONSIBLE INVESTING AND ESG RISK:** clients utilizing responsible investing strategies and environment, social responsibility, and corporate governance (ESG) factors may underperform strategies which do not utilize responsible investing and ESG considerations. Responsible investing and ESG strategies may operate by either excluding the investments of certain issuers or by selecting investments based on their compliance with factors such as ESG. This strategy may exclude certain sectors or industries from a client's portfolio, potentially negatively affecting the client's investment performance if

- the excluded sector or industry outperforms. Responsible investing and ESG are subjective by nature, and our firm may rely on analysis and ‘scores’ provided by third parties in determining whether an issuer meets our firm’s standards for inclusion or exclusion. A client’s perception may differ from our firm or a third parties on how to judge an issuer’s adherence to responsible investing principles.
- **MARGIN RISK:** When you purchase securities, you may pay for the securities in full or you may borrow part of the purchase price from your brokerage firm. If you choose to borrow funds through a margin account, securities purchased are the firm's collateral for the loan to you. If the securities in your account decline in value, so does the value of the collateral supporting your loan, and, as a result, the firm can take action, such as issue a margin call and/or sell securities or other assets in any of your accounts held with the member, in order to maintain the required equity in the account. Investing with margin is characterized by unique risks including amplified losses due to increased leverage; margin calls; forced liquidations; and additional fees including margin interest charges. In order to manage margin risk, we recommend leveraging responsibly (borrowing less than the amount available); keeping a diversified portfolio; and monitoring the account and evaluating risk regularly. Before investing on margin, be sure to read the Margin Disclosure Statement provided by your custodian.
  - **NON-LIQUID ALTERNATIVE INVESTMENTS:** From time to time, our Firm will recommend to certain qualifying clients that a portion of such clients’ assets be invested in private funds, private fund-of-funds and/or other alternative investments (collectively, “Nonliquid Alternative Investments”). Nonliquid Alternative Investments are not suitable for all of our Firm’s clients and are offered only to those qualifying clients for whom our Firm believes such an investment is suitable and in line with their overall investment strategy. Nonliquid Alternative Investments typically are available to only a limited number of sophisticated investors who meet the definition of “accredited investor” under Regulation D of the Securities Act of 1933, as amended (the “Securities Act”), or “qualified client” under the Investment Advisers Act of 1940, or “qualified purchaser” under the Investment Company Act of 1940. Nonliquid Alternative Investments present special risks for our Firm’s clients, including without limitation, limited liquidity, higher fees and expenses, volatile performance, no assurance of investment returns, heightened risk of loss, limited transparency, additional reliance on underlying management of the investment, special tax considerations, subjective valuations, use of leverage and limited regulatory oversight. When a Nonliquid Alternative Investment invests part or all of its assets in real estate properties, there are additional risks that are unique to real estate investing, including but not limited to: limitations of the appraisal value; the borrower’s financial conditions (if the underlying property has been obtained by a loan), including the risk of foreclosures on the property; neighborhood values; the supply of and demand for properties of like kind; and certain city, state and/or federal regulations. Additionally, real estate investing is also subject to possible loss due to uninsured losses from natural and man-made disasters. The above list is not exhaustive of all risks related to an investment in Nonliquid Alternative Investments. A more comprehensive discussion of the risks associated with a particular Nonliquid Investment is set forth in that fund’s offering documents, which will be provided to each client subscribing to a Nonliquid Alternative Investment, for review and consideration. It is important that each potential, qualified investor carefully read each offering or private placement memorandum prior to investing.

## ITEM 9 - DISCIPLINARY INFORMATION

We are required to disclose any legal or disciplinary events that are material to a client, or prospective client's, evaluation of our advisory business or the integrity of our management. Our Firm has not been subject to any legal or disciplinary events to disclose.

## ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

### INSURANCE

Some of our Investment Advisor Representatives (“IARs”) are licensed insurance agents and sell various non-variable, life insurance products and long-term care. Our IARs receive compensation (commissions, trails, or other compensation from the respective product sponsors) as a result of effecting insurance transactions for clients. A portion of the time IARs spend (generally less than 10%) is in connection with these insurance activities. The advisor has an incentive to recommend insurance and this incentive creates a conflict of interest between your interests and our Firm. Clients should note that they have the right to decide whether or not to engage the services of our IARs. Further, clients should note they have the right to decide whether to act on the recommendations and the right to choose any professional to execute the advice for any insurance products through our IAR or any licensed insurance agent not affiliated with our Firm. We recognize the fiduciary responsibility to place your interests first and have established policies in this regard to avoid any conflicts of interest.

### TAX BUSINESS

Certain of our Firm’s management personnel, in their individual capacities, are also managing members of an unaffiliated tax preparation, bookkeeping, and accounting business. A conflict of interest exists to the extent that TE3 may recommend the purchase of tax services where these management personnel may receive other compensation for the sale of tax services. Transce3nd has procedures in place to limit the conflict of interest, although it does not supervise the activities of these persons when they are acting in their capacity as managing member of the tax preparation company.

### BROKER DEALER

Our Firm is not a broker/dealer, but some of our Investment Adviser Representatives (“IAR”) are registered representatives of Madison Avenue Securities, LLC. (“Madison Avenue”), a full-service broker-dealer, member FINRA/SIPC, which compensates them for effecting securities transactions. When placing securities transactions through Madison Avenue in their capacity as registered representatives, they may earn sales commissions. Because the IARs are dually registered with Madison Avenue and TE3, Madison Avenue has certain supervisory and administrative duties pursuant to the requirements of FINRA Conduct Rule 3040. Madison Avenue and TE3 are not affiliated companies. IARs of TE3 spend a portion their time in connection with broker/dealer activities.

As a broker-dealer, Madison Avenue engages in a broad range of activities normally associated with securities brokerage firms. Pursuant to the investment advice given by TE3 or its IARs, investments in securities may be recommended for clients. If Madison Avenue is selected as the

broker-dealer, Madison Avenue and its registered representatives, including IARs of TE3, may receive commissions for executing securities transactions.

You are advised that if Madison Avenue is selected as the broker-dealer, the transaction charges may be higher or lower than the charges you may pay if the transactions were executed at other broker/dealers. You should note, however, that you are under no obligation to purchase securities through IARs of TE3 or Madison Avenue.

Moreover, you should note that under the rules and regulations of FINRA, Madison Avenue has an obligation to maintain certain client records and perform other functions regarding certain aspects of the investment advisory activities of its registered representatives. These obligations require Madison Avenue to coordinate with and have the cooperation of its registered representatives that operate as, or are otherwise associated with, investment advisers other than Madison Avenue. Accordingly, Madison Avenue may limit the use of certain custodial and brokerage arrangements available to clients of TE3 and Madison Avenue may collect, as paying agent of TE3, the investment advisory fee remitted to TE3 by the account custodian. Madison Avenue may charge an administrative Fee to the Firm. This charge will not increase the advisory fee you have agreed to pay TE3.

IARs of TE3, in their capacity as registered representatives of Madison Avenue, or as agents appointed with various life, disability or other insurance companies, receive commissions, 12(b)-1 fees, fee trails, or other compensation from the respective product sponsors and/or as a result of effecting securities transactions for clients. However, clients should note that they have the right to decide whether or not to purchase any investment products through TE3's representatives.

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### THIRD PARTY MANAGER RELATIONSHIPS

Please refer to Item 4 and Item 5 above for more information about the selection of Managers used with our services. A conflict of interest for our firm in utilizing a Manager is receipt of discounts or services not available to us from other similar Managers. In order to minimize this conflict our firm will make our recommendations and selections of Managers in the best interest of our clients.

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### OTHER AFFILIATIONS

Additionally, management personnel of TE3 may engage in outside business activities. The following is a list of other affiliated companies under common ownership with Transce3nd LLC:

- **e3 Wealth LLC** – commonly owned entity and name used to market the advisory business conducted under TE3 used for the insurance and broker-dealer affiliated business as disclosed above. E3 Consultants is another marketing name used for this entity.
- **APU Partners LLC** – wholly owned by Joe Quartucci and used as personal bookkeeping entity for outside revenue from Insurance and Broker/dealer commission business as disclosed above.
- **e3 Interests LLC** – commonly owned entity holding company for the real estate property and personal private equity investments.

- **APU Tax dba e3 Tax LLC** - commonly owned entity used for the tax preparation services as disclosed in Item 4 and 10 of this Brochure.
- **LMFB LLC** – commonly owned entity used for personal investment opportunities.

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

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

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

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

## ITEM 11 - CODE OF ETHICS

Our Firm and persons associated with us are allowed to invest for their own accounts, or to have a financial investment in the same securities or other investments that we recommend or acquire for your account and may engage in transactions that are the same as or different than transactions recommended to or made for your account. This creates a conflict of interest. We recognize the fiduciary responsibility to act in your best interest and have established policies to mitigate conflicts of interest.

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

The Code of Ethics is designed to protect our clients to detect and deter misconduct, educate personnel regarding the Firm's expectations and laws governing their conduct, remind personnel that they are in a position of trust and must act with complete propriety at all times, protect the reputation of TE3, safeguard against the violation of the securities laws, and establish procedures for personnel to follow so that we may determine whether their personnel are complying with the Firm's ethical principles.

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

- No supervised employee of TE3 shall prefer his or her own interest to that of the advisory client. Trades for supervised employees are traded alongside client accounts.
- We maintain a list of all securities holdings of anyone associated with this advisory practice with access to advisory recommendations. These holdings are reviewed on a regular basis by an appropriate officer/individual of TE3.
- We emphasize the unrestricted right of the client to decline implementation of any advice rendered, except in situations where we are granted discretionary authority of the client's account.
- We require that all supervised employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
- Any supervised employee not in observance of the above may be subject to termination.

None of our associated persons may affect for himself/herself or for accounts in which he/she holds a beneficial interest, any transactions in a security which is being actively recommended to any of our clients, unless in accordance with the Firm's procedures.

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

## ITEM 12 - BROKERAGE PRACTICES

### THE CUSTODIAN AND BROKERS WE USE

For the past several years, TE3 has participated in the TD Ameritrade Institutional program. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. ("TD Ameritrade") member FINRA/SIPC. TD Ameritrade is presently an independent and unaffiliated SEC-registered broker-dealer but has recently been acquired by Charles Schwab & Co. Inc., "Schwab". TD Ameritrade offers services to independent investment advisors that include custody of securities, trade execution, clearance, and settlement of transactions. Advisor receives some benefits from TD Ameritrade through its participation in the program. (Please see the disclosure under Item 14 below.) TE3 will be transitioning to Schwab. New clients will be onboarded to the Schwab platform, while existing clients will remain on the TD platform until a pre-announced turnover date, in order to assure the smoothest transition. Schwab's Brokerage Services In addition to the advisory services, the wrap fee program includes certain brokerage services of Charles Schwab & Co., Inc. ("Schwab") a broker-dealer registered with the Securities and Exchange Commission and a member of FINRA and SIPC. We are independently owned and operated and not affiliated with Schwab. Schwab will act solely as a broker-dealer and not as an investment advisor to you. It will have no discretion over your account and will act solely on instructions it receives from us [or you]. Schwab has no responsibility for our services and undertakes no duty to you to monitor our firm's management of your account or other services we provide to you. Schwab will hold

your assets in a brokerage account and buy and sell securities and execute other transactions when we [or you] instruct them to. We do not open the account for you. (Please see the disclosure under Item 14 below.)

TE3 does not maintain custody of your assets on which we advise, 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,” generally a broker-dealer or bank. We require that our clients use TD Ameritrade (TD) or Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member SIPC, as the qualified custodian.

We are independently owned and operated and are not affiliated with either TD or Schwab. Either TD or Schwab will hold your assets in a brokerage account and buy and sell securities when we instruct them to. While we require that you use either TD or Schwab as custodian/broker, you will decide whether to do so and will open your account with TD or Schwab by entering into an account agreement directly with them. Conflicts of interest associated with this arrangement are described below as well as in Item 14 (Client referrals and other compensation). You should consider these conflicts of interest when selecting your custodian.

We do not open the account for you, although we may assist you in doing so. If you do not wish to place your assets with TD or Schwab, then we cannot manage your account. Even though your account is maintained at TD or Schwab, and we anticipate that most trades will be executed through TD or Schwab, we can still use other brokers to execute trades for your account as described below.

#### **How we select brokers/custodians**

We seek to use TD and Schwab, custodians/brokers that will hold your assets and execute transactions. When considering whether the terms that TD or Schwab provide are, overall, most advantageous to you when compared with other available providers and their services, we take consider a wide range of factors, including:

- 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, security and stability
- Prior service to us and our clients
- Services delivered or paid for by TD or Schwab
- 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**

For our clients’ accounts that TD or Schwab maintains, neither TD nor Schwab generally charges you separately for custody services but are compensated by charging you commissions or other fees on trades that it executes or that settle into your TD or Schwab account. Certain trades (for example, many mutual funds and ETFs) may not incur TD or Schwab commissions or transaction fees. TD and Schwab are also compensated by earning interest on the uninvested cash in your account.

Although we are not required to execute all trades through either TD or Schwab, we have determined that having TD or Schwab 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”). By using another broker or dealer you may pay lower transaction costs.

### **Products and services available to us from Schwab:**

- Schwab Advisor Services™ is Schwab’s business serving independent investment advisory firms like us. They provide us and our clients with access to their institutional brokerage services (trading, custody, reporting, and related services), many of which are not typically available to Schwab retail customers. However, certain retail investors may be able to get institutional brokerage services from Schwab without going through us.
- 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 are generally available on an unsolicited basis (we don’t have to request them) and at no charge to us. Following is a more detailed description of Schwab’s support services:
- 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 to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients.
- Schwab’s services described in this paragraph generally benefit you and your account.
- Services that do not directly benefit you. Schwab also makes available to us other products and services that benefit us but do not directly benefit you or your account. These products and services assist us in managing and administering our clients’ accounts and operating our firm. They include investment research, both Schwab’s own and that of third parties. We use this research to service all or a substantial number of our clients’ accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:
  - Provide access to client account data (such as duplicate trade confirmations and account statements)

- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of our fees from our clients' accounts
- Assist with back-office functions, recordkeeping, and client reporting

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

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

#### **Our interest in Schwab's services**

We believe that taken in the aggregate, our recommendation of Schwab or TD as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's and TD's services (see "How we select brokers/ custodians") and not Schwab's nor TD's services that benefit only us.

There is no direct link between our participation in the program and the investment advice we give to our clients, although we receive economic benefits through our participation in the program that are typically not available to any other independent investment advisors participating in the program. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to us by third party vendors. TD Ameritrade or Schwab may also have paid for business consulting and professional services received by some of our related persons. Some of the products and services made available by TD Ameritrade or Schwab through the program may benefit us but may not benefit your account. These products or services may assist us in managing and administering your account, including accounts not maintained at TD Ameritrade or Schwab. Other services made available by TD Ameritrade or Schwab are intended to help us manage and further develop our business enterprise. The benefits received by our firm or our personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade

or Schwab. As part of our fiduciary duties to clients, we endeavor at all times to put the interests of our clients first. You should be aware, however, that the receipt of economic benefits by our Firm or our related persons in and of itself creates a conflict of interest and may indirectly influence our choice of TD Ameritrade or Schwab for custody and brokerage services.

In the event you request us to recommend a broker/dealer custodian for execution and/or custodial services, we generally recommend your account to be maintained at TD or Schwab. We may recommend that you establish accounts with TD or Schwab to maintain custody of your assets and to effect trades for your accounts. You are under no obligation to act upon any recommendations, and if you elect to act upon any recommendations, you are under no obligation to place the transactions through any broker/dealer we recommend. Our recommendation is generally based on the broker's cost and fees, skills, reputation, dependability and compatibility with the client. You may be able to obtain lower commissions and fees from other brokers and the value of products, research and services given to us is not a factor in determining the selection of broker/dealer or the reasonableness of their commissions.

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### **AGGREGATION AND ALLOCATION OF TRANSACTIONS**

We may aggregate transactions if we believe that aggregation is consistent with the duty to seek best execution for our clients and is consistent with the disclosures made to clients and terms defined in the client Investment Advisory Agreement. No advisory client will be favored over any other client, and each account that participates in an aggregated order will participate at the average share price (per custodian) for all transactions in that security on a given business day.

We will aggregate trades for ourselves or our associated persons with your trades, providing that the following conditions are met:

1. Our policy for the aggregation of transactions shall be fully disclosed separately to our existing clients (if any) and the broker/dealer(s) through which such transactions will be placed.
2. We will not aggregate transactions unless we believe that aggregation is consistent with our duty to seek the best execution (which includes the duty to seek best price) for you and is consistent with the terms of our Investment Advisory Agreement with you for which trades are being aggregated.
3. No advisory client will be favored over any other client; each client that participates in an aggregated order will participate at the average share price for all our transactions in a given security on a given business day, with transaction costs based on each client's participation in the transaction.
4. We will prepare a written statement ("Allocation Statement") specifying the participating client accounts and how to allocate the order among those clients.
5. If the aggregated order is filled in its entirety, it will be allocated among clients in accordance with the allocation statement; if the order is partially filled, the accounts that did not receive the previous trade's positions should be "first in line" to receive the next allocation.
6. Notwithstanding the foregoing, the order may be allocated on a basis different from that specified in the Allocation Statement if all client accounts receive fair and equitable treatment and the reason for difference of allocation is explained in writing and is reviewed by our compliance officer. Our books and records will separately reflect, for each client account, the orders of which aggregated, the securities held by, and bought for that account.

7. We will receive no additional compensation or remuneration of any kind because of the proposed aggregation; and
8. Individual advice and treatment will be accorded to each advisory client.

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### **BROKERAGE FOR CLIENT REFERRALS**

Our Firm does not receive client referrals from any custodian or third party in exchange for using that broker-dealer or third party.

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### **TRADE ERRORS**

We have implemented procedures designed to prevent trade errors; however, trade errors in client accounts cannot always be avoided. Consistent with our fiduciary duty, it is our policy to correct trade errors in a manner that is in the best interest of the client. In cases where the client causes the trade error, the client will be responsible for any loss resulting from the correction. Depending on the specific circumstances of the trade error, the client may not be able to receive any gains generated as a result of the error correction. In all situations where the client does not cause the trade error, the client will be made whole, and we will absorb any loss resulting from the trade error if the error was caused by the firm. If the error is caused by the Custodian, the Custodian will be responsible for covering all trade error costs. If an investment gain results from the correcting trade, the gain will be held in an account to offset future potential trade error losses within the same calendar year. We will take any remaining monetary positive balance in the trade error account of that calendar year and donate those funds to a 501c3 of choice. We will never benefit or profit from trade errors.

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### **DIRECTED BROKERAGE**

We do not routinely recommend, request or require that you direct us to execute transaction through a specified broker dealer. Additionally, we typically do not permit you to direct brokerage. We place trades for your account subject to our duty to seek best execution and other fiduciary duties.

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## **ITEM 13 - REVIEW OF ACCOUNTS**

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### **ACCOUNT REVIEWS AND REVIEWERS – INVESTMENT SUPERVISORY SERVICES**

Our Investment Adviser Representatives will monitor client accounts on a regular basis and perform annual reviews with each client. All accounts are reviewed for consistency with client investment strategy, asset allocation, risk tolerance, and performance relative to the appropriate benchmark. More frequent reviews may be triggered by changes in an account holder's personal, tax, or financial status. Geopolitical and macroeconomic specific events may also trigger reviews. You are urged to notify us of any changes in your personal circumstances.

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### **STATEMENTS AND REPORTS**

Reports from our Firm are generated for clients on an annual basis or as requested. These reports show the rate of return of accounts under management of TE3.

The custodian for the individual client's account will also provide clients with an account statement at least quarterly. You are urged to compare the reports provided by TE3 against the account statements you receive directly from your account custodian.

## ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

Our firm does not accept nor receive compensation for client referrals.

From time to time, we may receive expense reimbursement for travel and/or marketing expenses from distributors of investment and/or insurance products. Travel expense reimbursements are typically a result of attendance at due diligence and/or investment training events hosted by product sponsors. Marketing-expense reimbursements are typically the result of informal expense sharing arrangements in which product sponsors may underwrite costs incurred for marketing such as advertising, publishing and seminar expenses. Although receipt of these travel and marketing expense reimbursements are not predicated upon specific sales quotas, the product sponsor reimbursements are typically made by those sponsors for whom sales have been made or it is anticipated sales will be made.

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

### Client Referrals and Other Compensation

We receive an economic benefit from TD Ameritrade and Schwab in the form of the support products and services it makes available to us and other independent investment advisers whose clients maintain their accounts at TD and 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 us of TD's or Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

## ITEM 15 – CUSTODY

Custody has been defined by regulators as having access or control over client funds and/or securities. Our firm does not have physical custody of funds or securities, as it applies to investment advisors.

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### DEDUCTION OF ADVISORY FEES

We are also deemed to have constructive custody over those client accounts where we are able to deduct our fees directly from the account. As long as we comply with certain regulatory requirements, this constructive custody does not mandate that we undergo a surprise audit for those accounts. Our clients receive account statements directly from the qualified custodian at least quarterly. We also send clients quarterly reports that we produce using our portfolio accounting system. We strongly urge our clients to compare such reports with the statements

received from the qualified custodian. Furthermore, when we calculate our investment management fees and instruct the custodian to remit these fees to us directly from clients' accounts, the custodian does not verify our calculation of fees. We perform quarterly testing to ensure that our fees are charged in accordance with the client's Agreement.

## **STANDING LETTERS OF AUTHORIZATION – THIRD PARTIES**

While our firm does not maintain physical custody of client assets (which are maintained by a qualified custodian, as discussed above), we are deemed to have custody of certain client assets if given the authority to withdraw assets from client accounts, as further described below under "Standing Instructions". All our clients receive account statements directly from their qualified custodian(s) at least quarterly upon opening of an account. We urge our clients to carefully review these statements. Additionally, if our firm decides to send its own account reports to clients, such reports will include a legend that recommends the client compare the account statements received from the qualified custodian with those reports received from our firm. Clients are encouraged to raise any questions with us about the custody, safety or security of their assets and our custodial recommendations.

The SEC issued a no - action letter ("Letter") with respect to the Rule 206(4)-2 ("Custody Rule") under the Investment Advisers Act of 1940 ("Advisers Act"). The letter provided guidance on the Custody Rule as well as clarified that an adviser who has the power to disburse client funds to a third party under a standing letter of instruction ("SLOA") is deemed to have custody. As such, our Firm has adopted the following safeguards in conjunction with our custodians:

- The client provides an instruction to the qualified custodian, in writing, that includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed.
- The client authorizes the investment adviser, 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.
- 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.
- The client has the ability to terminate or change the instruction to the client's qualified custodian.
- The investment adviser 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.
- The investment adviser maintains records showing that the third party is not a related party of the investment adviser or located at the same address as the investment adviser.
- The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

## **ITEM 16 – INVESTMENT DISCRETION**

For discretionary accounts, prior to engaging TE3 to provide investment advisory services, you will enter a written Agreement with us granting the Firm the authority to supervise and direct, on an on-going basis, investments in accordance with the client's investment objective and guidelines.

In addition, you will need to execute additional documents required by the Custodian to authorize and enable TE3, in its sole discretion, without prior consultation with or ratification by you, to purchase, sell, or exchange securities in and for your accounts. We are authorized, in our discretion and without prior consultation with you to: (1) buy, sell, exchange and trade any stocks, bonds or other securities or assets and (2) determine the number of securities to be bought or sold, and (3) place orders with the custodian. Any limitations to such discretionary authority will be communicated to our Firm in writing by you, the client.

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

#### **ITEM 17 – VOTING CLIENT SECURITIES**

We will not vote proxies on your behalf. You are welcome to vote proxies or designate an independent third-party at your own discretion. You designate proxy voting authority in the custodial account documents. You must ensure that proxy materials are sent directly to you or your assigned third party. We do not act with respect to any securities or other investments that become the subject of any legal proceedings, including bankruptcies. Clients can contact our office with questions about a particular proxy solicitation by phone at 512-268-9220.

In the case of accounts managed by third party money managers, proxies will be voted by the third-party money manager or as agreed to in the third-party money manger agreement and disclosure documents.

#### **ITEM 18 – FINANCIAL INFORMATION**

We do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for our most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, we have not been the subject of a bankruptcy petition at any time.