

**BALLAST ADVISORS WRAP PROGRAM**

Sponsored by



*a Registered Investment Adviser*

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This brochure provides information about the qualifications and business practices of Ballast Advisors, LLC (hereinafter "Ballast Advisors" or the "Firm"). If you have any questions about the contents of this brochure, please contact the Firm at the telephone number listed above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. Additional information about the Firm is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The Firm is a registered investment adviser. Registration does not imply any level of skill or training.

## **Item 2. Material Changes**

In this Item, Ballast Advisors is required to discuss any material changes that have been made to the brochure since the last annual amendment. The Firm has amended Item 4 to reflect the change of name of the accounting firm owned by Paul Parnell to Ballast Tax & Business Services LLC from Ballast Tax & Business Services LLC. The Firm has amended Item 5 to remove a sentence relating to the proration of advisory fees for the initial period of a client engagement. The Firm has also amended Item 8 with respect to its investment methods of analysis and investment strategies.

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## Item 4. Advisory Business

The Ballast Advisors Wrap Program (the “Program”) is an investment advisory program sponsored by Ballast Advisors. In addition to the Program, the Firm offers a variety of advisory services, which include financial planning, consulting, and investment management services under different arrangements than those described herein. Prior to Ballast Advisors rendering any of the foregoing advisory services, clients are required to enter into one or more written agreements with Ballast Advisors setting forth the relevant terms and conditions of the advisory relationship (the “Advisory Agreement”).

Ballast Advisors has been registered as an investment adviser since January 2017 and is owned by Steven A. Schmidt, Richard G. Gerczak and Paul L. Parnell. As of January 10, 2019, Ballast Advisors had \$341,019,511 in assets under management, \$333,498,420 of which was managed on a discretionary basis and \$7,521,091 of which was managed on a non-discretionary basis.

While this brochure generally describes the business of Ballast Advisors, certain sections also discuss the activities of its Supervised Persons, which refer to the Firm’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees or any other person who provides investment advice on Ballast Advisors’ behalf and is subject to the Firm’s supervision or control.

### Description of the Program

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The Program is offered as a wrap fee program, which provides clients with the ability to trade in certain investment products without incurring separate brokerage commissions or transaction charges. A wrap fee program is considered any arrangement under which clients receive investment advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and the execution of client transactions for a specified fee or fees not based upon transactions in their accounts. Clients must also open a new securities brokerage account and complete a new account agreement with Schwab Advisor Services (“Schwab”), or another broker-dealer that Ballast Advisors approves under the Program (collectively “Financial Institutions”).

After an analysis of a client’s investment needs, Ballast Advisors assists its clients in developing an appropriate strategy for managing their assets. Clients’ investment portfolios are generally managed on a discretionary or non-discretionary basis by either Ballast Advisors’ investment adviser representatives or an independent investment manager (collectively “Independent Managers”), as recommended or selected by Ballast Advisors. Ballast Advisors and/or the Independent Managers generally allocate clients’ assets among the various investment products available under the Program, as described further in Item 6 (below).

*Financial Planning and Consulting Services*

Ballast Advisors offers clients a broad range of financial planning and consulting services, which may include any or all of the following functions:

- Business Planning
- Cash Flow Management
- Trust and Estate Planning
- Financial Reporting
- Investment Consulting
- Insurance Planning
- Retirement Planning
- Risk Management
- Charitable Giving
- Distribution Planning
- Tax Planning and Preparation
- Manager Due Diligence

While each of these services is available on a stand-alone basis, certain of them may also be rendered in conjunction with investment portfolio management as part of a comprehensive wealth management engagement (described in more detail below).

In performing these services, Ballast Advisors is not required to verify any information received from the client or from the client's other professionals (e.g., attorneys, accountants, etc.) and is expressly authorized to rely on such information. Ballast Advisors may recommend clients engage the Firm for additional related services, its Supervised Persons in their individual capacities as insurance agents and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if clients engage Ballast Advisors or its affiliates to provide additional services for compensation. Clients retain absolute discretion over all decisions regarding implementation and are under no obligation to act upon any of the recommendations made by Ballast Advisors under a financial planning or consulting engagement. Clients are advised that it remains their responsibility to promptly notify the Firm of any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising Ballast Advisors' recommendations and/or services. Some of the services described above are provided by a third party engaged by the Firm. Specifically, if not provided by the Firm, tax services are provided by a Third Party engaged by Ballast Advisors, or an affiliate of Ballast Advisors, Ballast Tax & Business Services, LLC, or other third party.

*Investment and Wealth Management Services*

Ballast Advisors manages client investment portfolios on a discretionary or non-discretionary basis. In addition, Ballast Advisors may provide clients with "wealth management services" which include a broad range of comprehensive financial planning and consulting services as well as discretionary and/or non-discretionary management of investment portfolios.

Ballast Advisors primarily allocates client assets among various mutual funds, exchange-traded funds (“ETFs”), individual debt and equity securities, and independent investment managers (“Independent Managers”) in accordance with their stated investment objectives.

Where appropriate, the Firm may also provide advice about any type of legacy position or other investment held in client portfolios. Clients may engage Ballast Advisors to manage and/or advise on certain investment products that are not maintained at their primary custodian, such as variable life insurance and annuity contracts and assets held in employer sponsored retirement plans and qualified tuition plans (i.e., 529 plans). In these situations, Ballast Advisors directs or recommends the allocation of client assets among the various investment options available with the product. These assets are generally maintained at the underwriting insurance company or the custodian designated by the product’s provider.

Ballast Advisors tailors its advisory services to meet the needs of its individual clients and seeks to ensure, on a continuous basis, that client portfolios are managed in a manner consistent with those needs and objectives. Ballast Advisors consults with clients on an initial and ongoing basis to assess their specific risk tolerance, time horizon, liquidity constraints and other related factors relevant to the management of their portfolios. Clients are advised to promptly notify Ballast Advisors if there are changes in their financial situation or if they wish to place any limitations on the management of their portfolios. Clients may impose reasonable restrictions or mandates on the management of their accounts if Ballast Advisors determines, in its sole discretion, the conditions would not materially impact the performance of a management strategy or prove overly burdensome to the Firm’s management efforts.

## **Fees for Participation in the Program**

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The Program is offered on a fee basis, meaning participants pay a single annualized fee based upon assets under management (“Program Fee”).

This Program Fee generally varies between 50 and 200 basis points (0.50% – 2.00%), depending upon the size and composition of a client’s portfolio and the type of services rendered, which may include the financial planning and consulting services mentioned above.

The annual fee is prorated and charged monthly, in advance, based upon the market value of the assets being managed by Ballast Advisors on the last day of the previous billing period. If assets are deposited into or withdrawn from an account after the inception of a billing period, the fee payable with respect to such assets is not adjusted to reflect the interim change in portfolio value. In the event the advisory agreement is terminated, the fee for the final billing period is prorated through the effective date of the termination and the outstanding or unearned portion of the fee is charged or refunded to the client, as appropriate.

Additionally, for asset management services the Firm provides with respect to certain client holdings (e.g., held-away assets, concentrated stock positions, accommodation accounts, alternative investments, etc.), Ballast Advisors may negotiate a fee rate that differs from the range set forth above.

## **Fee Comparison**

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As referenced above, a portion of the fees paid to Ballast Advisors are used to cover the securities brokerage commissions and transactional costs attributed to the management of its clients' portfolios.

Services provided through the Program may cost clients more or less than purchasing these services separately. The number of transactions made in clients' accounts, as well as the commissions charged for each transaction, determines the relative cost of the Program versus paying for execution on a per transaction basis and paying a separate fee for advisory services. Fees paid for the Program may also be higher or lower than fees charged by other sponsors of comparable investment advisory programs. Because the Firm pays for the brokerage fees, the Firm has an incentive to engage in fewer transactions or transactions that cost less to the Firm (including the use of mutual funds that do not have transaction charges) and to choose Independent Managers whose fees fall outside of the Program Fee.

## **Fee Discretion**

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Ballast Advisors, in its sole discretion, may negotiate to charge a lesser fee based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing/legacy client relationship, account retention and pro bono activities.

## **Other Charges**

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In addition to the advisory fees paid to Ballast Advisors, clients may also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions. These additional charges include fees charged by the Independent Managers, reporting charges, margin costs, mark-ups or mark-downs priced in to fixed income products by the broker-dealer, charges imposed directly 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), fees related to alternative investments, fees and commissions for assets not held with Schwab (such as 401(k) or 529 plan assets), fees for trades executed away from Schwab (a conflict of interest exists where the firm avoids expenses by trading through a different Financial Institution), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees.

**Direct Fee Debit**

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Clients generally provide Ballast Advisors and/or certain Independent Managers with the authority to directly debit their accounts for payment of the investment advisory fees. The Financial Institutions that act as the qualified custodian for client accounts, from which the Firm retains the authority to directly deduct fees, have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to Ballast Advisors. Alternatively, clients may elect to have Ballast Advisors send a separate invoice for direct payment.

**Account Additions and Withdrawals**

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Clients may make additions to and withdrawals from their account at any time, subject to Ballast Advisors' right to terminate an account. Additions may be in cash or securities provided that the Firm reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to Ballast Advisors, subject to the usual and customary securities settlement procedures. However, Ballast Advisors designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. Ballast Advisors may consult with its clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, fees assessed at the mutual fund level (e.g., contingent deferred sales charge) and/or tax ramifications.

**Compensation for Recommending the Program**

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Ballast Advisors has no internal arrangements in place whereby persons recommending the Program are entitled to receive additional compensation as a result of clients' participation. A person recommending the Program will not earn more compensation than he or she would otherwise receive if a client elected another investment management program.

**Item 5. Account Requirements and Types of Clients**

Ballast Advisors offers services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities.

**Minimum Account Requirements**

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Ballast Advisors does not impose a stated minimum fee or minimum portfolio value for starting and maintaining an investment management relationship. Certain Independent Managers may, however,

impose more restrictive account requirements and billing practices from the Firm. In these instances, Ballast Advisors may alter its corresponding account requirements and/or billing practices to accommodate those of the Independent Managers.

## **Item 6. Portfolio Manager Selection and Evaluation**

Clients' investment portfolios are generally managed directly by Ballast Advisors. Ballast Advisors may also utilize the discretionary investment management services of certain Independent Managers, as referenced above. Where Ballast Advisors provides services outside of the Program, there is no difference in how assets are managed other than those non-wrap clients paying transaction fees separately.

### **Side-By-Side Management**

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Ballast Advisors does not provide any services for a performance-based fee (i.e., a fee based on a share of capital gains or capital appreciation of a client's assets). The Firm may, however, have other accounts managed outside of the Program where clients pay directly for transaction charges

### **Portfolio Management Services**

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#### *Methods of Analysis and Investment Strategies*

Investing by nature involves exchanging risk for potential reward in varying degrees. In many cases, risk includes a potential loss of principal. Ballast Advisors employs numerous philosophies and strategies in managing investments and their associated risks. Depending on individual client need, the Firm may use any or all of the following methods of analysis:

**Technical Analysis:** This type of analysis utilizes statistics to determine trends in security prices. Technical analysis tends to focus on factors such as trading volume, demand and security price fluctuations. This type of analysis is also commonly referred to as chart analysis due to the fact that this analysis tends to review various historical charts and graphs.

**Behavioral Finance:** A field of finance that proposes psychology-based theories to explain stock market anomalies. Within behavioral finance, it is assumed that the information structure and the characteristics of market participants systematically influence individuals' investment decisions as well as market outcomes.

**Fundamental Analysis:** This type of analysis concentrates on historical and current data. Earnings, a company's financial statements and the quality of a company's management are examples of such data.

These quantitative factors are then used to attempt to determine the financial strength of a company and its financial forecast.

**Modern Portfolio Theory (MPT):** MPT assumes that investors are risk adverse, meaning that given two assets that offer the same expected return, investors will prefer the less risky one. Thus, an investor will take on increased risk only if compensated by higher expected returns. Conversely, an investor who wants higher returns must accept more risk. Therefore, MPT aims to construct a combination portfolio of assets that has the best possible expected level of return for its level of risk.

**Asset Allocation:** Research has shown that it is nearly impossible to consistently predict the future direction of a security or of the market in general. As such, it is unlikely that all of a client's investments will "beat the market" consistently. Studies have shown that the selection of investments across asset classes is more contributive to managing portfolio volatility than investments within asset classes.

**Strategic Allocation:** This strategy involves setting target allocations for various asset classes and rebalancing periodically. The target allocations depend on several factors, such as the investor's risk tolerance, time horizon and investment objectives, and may change over time as these parameters change. Strategic asset allocation is compatible with a buy-and-hold strategy, as opposed to tactical asset allocation that is more suited to an active trading approach.

Every method of analysis has its own inherent risk. To perform an accurate market analysis, the Firm must have access to current/new market information. The Firm has no control over the dissemination rate of market information; therefore, unbeknownst to the Firm, certain analyses may be compiled with outdated market information, severely limiting the value of the Firm's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

## **Risk of Loss**

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### *Market Risks*

Investing involves risk, including the potential loss of principal, and all investors should be guided accordingly. The profitability of a significant portion of Ballast Advisors' recommendations and/or investment decisions may depend to a great extent upon correctly assessing the future course of price movements of stocks, bonds and other asset classes. There can be no assurance that Ballast Advisors will be able to predict those price movements accurately or capitalize on any such assumptions.

*Volatility Risk*

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

*Cash Management Risks*

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

*Equity-Related Securities and Instruments*

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

*Fixed Income Securities*

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

*Mutual Funds and ETFs*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (*e.g.*, sales loads, purchase fees, redemption

fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to actual NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed based ETFs and potentially more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 20,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

#### *Use of Independent Managers*

As stated above, Ballast Advisors may select certain Independent Managers to manage a portion of its clients' assets. In these situations, Ballast Advisors continues to conduct ongoing due diligence of such managers, but such recommendations rely to a great extent on the Independent Managers' ability to successfully implement their investment strategies. In addition, Ballast Advisors generally may not have the ability to supervise the Independent Managers on a day-to-day basis.

#### *Option Risk*

The use of options transactions as an investment strategy involves a high level of inherent risk. Option transactions establish a contract between two parties concerning the buying or selling of an asset at a predetermined price during a specific period of time. During the term of the option contract, the buyer of the option gains the right to demand fulfillment by the seller. Fulfillment may take the form of either selling or purchasing a security depending upon the nature of the option contract.

#### *Margin Risk*

Margin is an investment strategy with a high level of inherent risk. A margin transaction occurs when an investor uses borrowed assets to purchase financial instruments. The investor generally obtains the borrowed assets by using other securities as collateral for the borrowed sum. The effect of purchasing a security using margin is to magnify any gains or losses sustained by the purchase of the financial instruments on margin.

#### *Short Selling*

Short selling is an investment strategy with a high level of inherent risk. Short selling involves the selling of assets that the investor does not own. The investor borrows the assets from a third-party lender (i.e.,

Broker-Dealer) with the obligation of buying identical assets at a later date to return to the third-party lender. Individuals who engage in this activity shall only profit from a decline in the price of the assets between the original date of sale and the date of repurchase. Conversely, the short seller will incur a loss if the price of the assets rises. Other costs of shorting may include a fee for borrowing the assets and payment of any dividends paid on the borrowed assets.

### **Acceptance of Proxy Voting Authority**

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Ballast Advisors may accept the authority to vote a client's securities (i.e., proxies) on their behalf. When Ballast Advisors accepts such responsibility, it will only cast proxy votes in a manner consistent with the best interest of its clients. Absent special circumstances, which are fully-described in the Firm's Proxy Voting Policies and Procedures, all proxies will be voted consistent with guidelines established and described in Ballast Advisors' Proxy Voting Policies and Procedures, as they may be amended from time to time. Clients may contact Ballast Advisors to request information about how the Firm voted proxies for that client's securities or to get a copy of Ballast Advisors' Proxy Voting Policies and Procedures. A brief summary of Ballast Advisors's proxy voting policies and procedures is as follows: The Firm has engaged Broadridge Financial Solutions, Inc. ("Broadridge") to provide electronic proxy voting services. Through Broadridge, the Firm has access to research and analysis on the various proxy proposals for the client securities that Ballast Advisors manages. The Firm expects to generally vote proxies in accordance with the guidance provided by Broadridge's Shareholder Value Template, which was created using the voting trends of designated top fund families, selected by Assets Under Management, and whose goal is to maximize shareholder value. The Shareholder Value Template reflects the majority voting trend for each proposal type, based on the following rules:

- If > 60% voted FOR the proposal, the Shareholder Value Template reflects "FOR";
- If between 40-60% vote WITH management on the proposal, the SV Template reflects "WITH MANAGEMENT";
- If less than 40% vote AGAINST the proposal, the Shareholder Value Template reflects "AGAINST";
- With respect to proposals with detailed data points (e.g., Election of Directors, Ratification of Auditors, Proxy Access), the Shareholder Value Template will reflect the most common voting trend; and
- With respect to a number of proposal types with limited voting trend information from the N-PX filing to instruct a FOR or AGAINST vote, the Shareholder Value Template will reflect a vote with management as a default. Although the Firm generally expects to vote proxies in line with the guidance provided by the Shareholder Value Template, certain issues may need to be considered on a case-by-case basis due to the diverse and continually evolving nature of corporate governance

issues. If such cases should arise, then Ballast Advisors will devote appropriate time and resources to consider those issues.

- Where Ballast Advisors is responsible for voting proxies on behalf of a client, the client cannot direct the Firm's vote on a particular solicitation. The client, however, can revoke Ballast Advisors authority to vote proxies. In situations where there may be a conflict of interest in the voting of proxies due to business or personal relationships that Ballast Advisors maintains with persons having an interest in the outcome of certain votes, the Firm will take appropriate steps, whether by following the guidance provided by the Shareholder Value Template or otherwise, to ensure that proxy voting decisions are made in what it believes is the best interest of its clients and are not the product of any such conflict.
- For Ballast Advisors clients that entered into advisory agreements that did not authorize proxy voting on their behalf, Ballast Advisors can elect to maintain that arrangement and will not have the responsibility to vote proxies on the client's behalf. In such cases, clients will receive proxies directly from the Financial Institution(s) and may contact Ballast Advisors with questions about such issuer solicitations.

## **Item 7. Client Information Provided to Portfolio Managers**

In this Item, Ballast Advisors is required to describe the type and frequency of the information it communicates to the Independent Managers, if any, managing its clients' investment portfolios. Clients participating in the Program generally grant Ballast Advisors the authority to discuss certain non-public information with the Independent Managers engaged to manage their accounts. Depending upon the specific arrangement, the Firm may be authorized to disclose various personal information including, without limitation: names, phone numbers, addresses, social security numbers, tax identification numbers and account numbers. Ballast Advisors may also share certain information related to its clients' financial positions and investment objectives in an effort to ensure that the Independent Managers' investment decisions remain aligned with its clients' best interests. This information is communicated on an initial and ongoing basis, or as otherwise necessary to the management of its clients' portfolios.

## **Item 8. Client Contact with Portfolio Managers**

In this Item, Ballast Advisors is required to describe any restrictions on clients' ability to contact and consult with the portfolio managers managing their investment portfolios. There are no restrictions on clients' ability to correspond with Ballast Advisors. Clients can generally contact the Independent Managers managing their portfolios through Ballast Advisors by providing the Firm with written request and

identification of the questions or issues to be discussed with the Independent Managers. After receiving the client's written request, Ballast Advisors, at its sole discretion, may contact the Independent Managers for the client or arrange for the Independent Managers and the client to communicate directly.

## **Item 9. Additional Information**

### **Disciplinary Information**

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Ballast Advisors has not been involved in any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of its management.

### **Other Financial Industry Activities and Affiliations**

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This item requires investment advisers to disclose certain financial industry activities and affiliations.

#### *Licensed Insurance Agents*

A number of the Firm's Supervised Persons are licensed insurance agents and may offer certain insurance products on a fully-disclosed commissionable basis. A conflict of interest exists to the extent that Ballast Advisors recommends the purchase of insurance products where its Supervised Persons may be entitled to insurance commissions or other additional compensation. The Firm has procedures in place whereby it seeks to ensure that all recommendations are made in its clients' best interest regardless of any such affiliations.

#### *Related Certified Public Accounting Firm*

Ballast Advisors does not render accounting services to clients. One of the Firm's Principals, Paul Parnell, has ownership in Ballast Tax & Business Services LLC. In the event a client requires accounting services, the firm may recommend Ballast Tax & Business Services LLC. These services are rendered independent of Ballast Advisors and pursuant to a separate agreement between the client and the accounting firm. The Firm does not receive any portion of the fees paid by the client to Ballast Tax & Business Services LLC and does not receive a referral fee in connection with the accounting services provided by Ballast Tax & Business Services LLC. However, Mr. Parnell is entitled to receive distributions relative to his ownership interest in Ballast Tax & Business Services LLC. In addition, the Firm may provide tax services (including tax planning and preparation) as part of an engagement with clients. Unless Ballast Advisors provides the services directly, the Firm can engage a third party and may engage Ballast Tax & Business Services LLC for these services. Because of Mr. Parnell's relationship with Ballast Tax & Business Services LLC, there

exists a conflict of interest to the extent that the Firm recommends, or engages, the accounting services of Ballast Tax & Business Services LLC.

### **Code of Ethics**

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Ballast Advisors has adopted a code of ethics in compliance with applicable securities laws (“Code of Ethics”) that sets forth the standards of conduct expected of its Supervised Persons. Ballast Advisors’ Code of Ethics contains written policies reasonably designed to prevent certain unlawful practices such as the use of material non-public information by the Firm or any of its Supervised Persons and the trading by the same of securities ahead of clients in order to take advantage of pending orders.

The Code of Ethics also requires certain of Ballast Advisors’ personnel to report their personal securities holdings and transactions and obtain pre-approval of certain investments (*e.g.*, initial public offerings, limited offerings). However, the Firm’s Supervised Persons are permitted to buy or sell securities that it also recommends to clients if done in a fair and equitable manner that is consistent with the Firm’s policies and procedures. This Code of Ethics has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by certain personnel to be completed without any appreciable impact on the markets of such securities. Therefore, under limited circumstances, exceptions may be made to the policies stated below.

When the Firm is engaging in or considering a transaction in any security on behalf of a client, no Supervised Person with access to this information may knowingly effect for themselves or for their immediate family (*i.e.*, spouse, minor children and adults living in the same household) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the Supervised Person is completed as part of a batch trade with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers’ acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds. Clients and prospective clients may contact Ballast Advisors to request a copy of its Code of Ethics.

### **Account Reviews**

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The Firm’s investment adviser representatives will regularly monitor client portfolios, and portfolios will be rebalanced as needed. Clients will have contact with their investment adviser representative regarding

their portfolio at least annually. All investment advisory clients are encouraged to discuss their needs, goals and objectives with Ballast Advisors and to keep the Firm informed of any changes thereto. The Firm contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and quarterly to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

#### **Account Statements and General Reports**

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Clients are provided with transaction confirmation notices and regular summary account statements directly from the Financial Institutions where their assets are custodied. From time-to-time or as otherwise requested, clients may also receive written or electronic reports from Ballast Advisors and/or an outside service provider, which contain certain account and/or market-related information, such as an inventory of account holdings or account performance. Clients should compare the account statements they receive from their custodian with any documents or reports they receive from Ballast Advisors or an outside service provider.

#### **Client Referrals**

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The Firm does not currently provide compensation to any third-party solicitors for client referrals.

#### **Receipt of Economic Benefit and Brokerage Practices**

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Ballast Advisors requires that clients utilize the custody, brokerage and clearing services of Schwab for investment management accounts in the Program.

Factors which Ballast Advisors considers in recommending Schwab or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. Ballast Advisors does not consider, in selecting or recommending broker/dealers, whether the Firm receives client referrals from the Financial Institutions or other third party.

In seeking best execution in recommending Schwab, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a Financial Institution's services, including among others, the value of research provided, execution capability, commission rates and responsiveness.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker/dealers in return for investment research products and/or services which assist Ballast Advisors in its investment decision-making process. The receipt of investment research products and/or services poses a conflict of interest because Ballast Advisors does not have to produce or pay for the products or services.

Ballast Advisors may receive without cost from Schwab computer software and related systems support, which allow Ballast Advisors to better monitor client accounts maintained at Schwab. Ballast Advisors may receive the software and related support without cost because the Firm renders investment management services to clients that maintain assets at Schwab. The software and support is not provided in connection with securities transactions of clients (i.e., not “soft dollars”). The software and related systems support may benefit Ballast Advisors, but not its clients directly. In fulfilling its duties to its clients, Ballast Advisors endeavors at all times to put the interests of its clients first. Clients should be aware, however, that Ballast Advisors’ receipt of economic benefits from a broker/dealer creates a conflict of interest since these benefits may influence the Firm’s choice of broker/dealer over another that does not furnish similar software, systems support or services.

Specifically, Ballast Advisors may receive the following benefits from Schwab:

- Services intended to help manage and further develop the Firm’s business enterprise, including (but not limited to) professional consulting services, publications and conferences, and employee benefits providers, or credits to be used toward qualifying third party service providers offering the same;
- Receipt of duplicate client confirmations and bundled duplicate statements;
- Access to a trading desk that exclusively services its institutional traders;
- Access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts;
- Access to an electronic communication network for client order entry and account information;
- Access to educational events organized and/or sponsored by Schwab and occasional business entertainment by Schwab personnel, including (but not limited to) meals and invitations to sporting events.

### **Trade Aggregation and Prime Brokerage**

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Transactions for each client generally will be effected independently, unless Ballast Advisors decides to purchase or sell the same securities for several clients at approximately the same time. Ballast Advisors may (but is not obligated to) combine or “batch” such orders to obtain best execution or to allocate equitably among the Firm’s clients differences in prices that might not have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among Ballast Advisors’ clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that the Firm determines to aggregate client orders for the purchase or sale of securities, including securities in which Ballast Advisors’ Supervised Persons may invest, the Firm generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action

guidance provided by the staff of the U.S. Securities and Exchange Commission. Ballast Advisors does not receive any additional compensation or remuneration as a result of the aggregation.

In the event that the Firm determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a de minimis allocation in one or more accounts, the Firm may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Transactions may be cleared through other broker-dealers with whom the Firm and its custodians have entered into agreements for prime brokerage clearing services. Should an account make use of prime brokerage, the Client may be required to sign an additional agreement. Any additional fees charged for prime brokerage relationships is included in the Program Fee.

### **Financial Information**

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Ballast Advisors is not required to disclose any financial information due to the following:

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