

# ButtonWood Advisors, LLC



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It's not what you make...it's what you keep

An Arizona Registered Investment Advisor

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Form ADV Part 2  
Advisory Brochure  
March 28, 2014

This brochure provides clients and prospective clients with information about ButtonWood Advisors, LLC and the qualifications, business practices, and nature of its services that should be carefully considered before becoming an advisory client.

The contents of this brochure have not been approved or verified by the U.S. Securities and Exchange Commission (SEC) or any other state or federal governmental authority. While the firm and its associates may be registered with the State of Arizona or other jurisdictions, it does not imply a certain level of skill or training on the part of the firm or its associated personnel.

Questions relative to the firm, its services, or this ADV Part 2 may be made to the attention of Mr. Vic Hess at (520) 638-8718. Additional information about the firm, other advisory firms, or associated investment advisor representatives is available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 - Material Changes**

The firm has amended its Form ADV Part 2 brochure from the previous version dated March 10, 2013 due to an update to the firm's reportable assets under management, advisory services, and fees. Please see Item 4 – Advisory Business and item 5 – Fees and Compensation for details. Minor non-material editing and formatting refinements have also been made to this brochure. There are no further material changes to disclose. Clients and prospective clients are encouraged to review this brochure in its entirety. For future filings this section of the brochure may address only those material changes that have occurred since the firm's last annual update.

The firm may at any time update this document and either send a copy of its updated brochure or provide a summary of material changes to its brochure and an offer to send an electronic or hard copy form of the updated brochure. Clients are also able to download this brochure from the SEC's Website: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or may contact our firm at (520) 638-8718 to request a copy at any time.

As with all firm documents, clients and prospective clients are encouraged to review this brochure in its entirety and are encouraged to ask questions at any time prior to or throughout the engagement.

***Important Information:*** Throughout this document, ButtonWood Advisors, LLC shall also be referred to as the "firm," "our," "we" or "us." These terms are utilized for the reader's ease of use while reviewing the brochure and are not meant to imply the firm is larger than it actually may be at the time of publication. The client or prospective client may also be referred to as "you," "your," etc., and refers to a client engagement involving a single *person* as well as two or more *persons*. The term "advisor" and "adviser" are used interchangeably where accuracy in identification is necessary (i.e., Internet address, etc.).

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## **Item 4 - Advisory Business**

### **About Our Firm**

ButtonWood Advisors, LLC is an Arizona-domiciled registered investment advisor that provides fee-only financial planning and investment consultation services. In addition to our registration as an investment advisor in Arizona, our firm and its associates may register or meet certain exemptions to registration in other states in which we conduct business. Since our firm's inception in 2003, Mr. Victor Hess (noted in Item 19) has been our majority shareholder and also serves as firm principal (supervisor).

We hold ourselves to a *fiduciary standard*, which means our firm and its associates will act in the utmost good faith and perform in a manner believed to be in the best interest of our clients. As investment advisors we are required to put you -- the client -- first.

### **Client Assets Under Management**

As of December 31, 2013, our firm had approximately \$10.0 million<sup>1</sup> dollars of client assets under management through non-discretionary account agreements (as defined in Item 16-Investment Discretion)

### **Our Services**

A complimentary interview is conducted by a qualified representative of our firm to determine the scope of services to be provided. During or prior to this meeting, we will provide you with our current ADV Part 2 brochure that incorporates our privacy policy statement.

Should you wish to engage our firm, we must enter into a written agreement; thereafter discussion and analysis will be conducted to determine your financial need, goals, holdings, etc. It is important that the information or financial statements you provide are accurate. We may (but are not obligated to) verify the information you have provided and that will be used in the planning or advisory process.

### **Hourly Option**

Under certain circumstances, we provide financial planning and investment consultation projects or individual modules under an hourly engagement. Prior to entering this agreement you will receive an estimate of the fee range. These circumstances can include work on a particular project, financial planning module or if a client wishes a 'when desired' follow-up.

### **Goals and Financial Planning Option**

The Goals and Financial Planning Option can be utilized by clients wishing comprehensive and or modular one-time goals and financial planning. Topics can include any or all of the following: developing a net worth statement and analysis thereof; and investment policy statement (IPS); cash flow and budget analyses; capital needs projections with probability analyses; current investment portfolio analysis; model portfolio recommendations; retirement income/distribution strategies with probability analysis; Social Security claiming strategies/analysis; income tax planning/analysis; insurance (life, disability, health, and property) analysis and recommendations and estate planning analysis. (Please see Item 5-Fees and Compensation for fee details)

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<sup>1</sup>The term "assets under management" and rounding to the nearest \$100,000 are as defined by the SEC's 2014 General Instructions for Part 2 of Form ADV.

### Family Office Services Retainer Option – Personal Chief Financial Officer

The Family Office Services Retainer Option-Personal Chief Financial Officer program includes comprehensive ongoing engagement, any or all of the services in the Goals and Financial Planning Option and includes ongoing investment consulting, planning, review, monitoring and reporting.

In addition, through this Option, multiple advanced planning sessions with teams of experts are available for:

- Wealth Enhancement – Cash flow management, growth of assets, tax minimization, and longevity in life transition issues.
- Wealth Protection – Shield human, physical and financial capital from untenable confiscation or loss.
- Wealth Transfer – Effective timely and efficient conveyance of cherished belongings and assets to loved ones.
- Charitable giving – Effective planning design for fulfillment of philanthropic goals in the present and for the future.

Please see Item 5-Fees and Compensation for fee details for this option.

### Investment Management Only Option

This option includes assets advised on regardless of custody location. An annual Investment Policy Statement (IPS) and an annual asset class allocation rebalance are included in this Option. Please see Item 5 – Fees and Compensation for fee information regarding this option.

### Wealth Management Services

Our core offering is our Wealth Management Service which we define as...

- Investment counseling
- Advance planning, including wealth protection, wealth enhancement, wealth transfer and charitable giving
- Relationship management

We start with a series of in-depth conversations and extensive data collection.

With that information, we proceed to develop a plan for you and your family that identifies the specific investment criteria and strategies based upon careful review of available investment options, taxation, transaction costs, and risk and of course expected performance. This plan is prepared in the form of investment policy statement and a capital needs analysis.

This final document which we review with you to ensure it reflects your needs, sets the foundation for how we recommend the allocation of your assets between various investment classes and how managers are selected, monitored and managed. Upon completion of the initial planning and the clients approval of the investment policy statement at the client's discretion ButtonWood Advisors will provide ongoing wealth management services.

Implementation and ongoing management of our clients account includes:

- Design, execution and maintenance of the customize investment policy statement for those assets and liabilities directly or indirectly under the counsel of ButtonWood Advisors.
- Active tax and cost efficient investment portfolio management for assets and liabilities under the counsel of ButtonWood Advisors.

- Maintain and update, as necessary, a "capital needs analysis," and analytical process that evaluates the likelihood of meeting stated goals, based on the client's assets, liabilities, and relevant economic assumptions. This analysis is typically updated on an annual basis more often if the client experiences a significant unanticipated life transition or there is a dramatic change in market conditions.
- Monitor investment managers and vehicles selected for implementation.
- As necessary, rebalancing, policy and/or strategy modification and/or allocation/manager replacements as requested, implementation of cash flow strategies for planned cash flow needs, including cash flow/emergency reserve accounts.
- Quarterly detailed reports of the client investment portfolios under ButtonWood Advisors counsel.
- As requested, implementation of cost and tax efficient liquidations for unanticipated cash flow needs.
- As requested, provisions of preliminary tax information for our clients tax planning, for assets and liabilities under our counsel.
- Establishment and coordination of appropriate accounts.
- Established as requested, cash flow reserve and investment account at selected custodians.
- Maintain appropriate working relationships with clients other advisors. Introduce clients to appropriate other expert advisors when necessary.

Most clients choose to have ButtonWood Advisors counsel them on their assets and liabilities in order to obtain in-depth ongoing advice. The scope of the work and fee for the wealth management service agreement is provided to the client in writing prior to the start of relationship.

### ***Selection of Other Investment Advisors***

When appropriate for your investment strategy and objectives, we may refer you to unaffiliated third party investment advisors for participation in the third party advisor's directly managed program using model portfolios these firms have developed.

Prior to recommending a third party investment advisor, our firm will conduct an appropriate level of due diligence on the recommended third party investment advisor to include ensuring they are registered or notice-filed in your jurisdiction, and that their strategies align with your goals. These third party advisors manage your account in accordance with the disclosures set forth in their own disclosure brochure and associated documents that will be provided to you in advance of your selection of the third party advisor.

Typically, we gather information about your financial situation, investment objectives and reasonable restrictions you may want to impose on the management of the account. We then provide this information to the third party investment advisor whom prepares an investment proposal and/or investment policy statement for you to consider employing through their firm. You are free to accept or reject our referral to this third party advisor as well as selected third party investment advisor itself.

### ***Investment Management Services***

Certain clients may prefer the firm provide only its investment management services, whether assets are held with the firm or client's selected custodian. Under this engagement we will create an IPS, offer an initial allocation

recommendation, provide an annual IPS review, as well as conduct asset class allocation rebalancing as necessary to keep the client on track.

### ***Workshop Presentations***

We may provide educational workshops on an “as announced” basis for groups desiring general advice on investments and personal finance. Topics may include issues related to wealth management, financial planning, retirement strategies, or various other economic and investment topics.

Our workshops are purely educational in nature and do not involve the sale of any investment products. Information presented will not be based on any one person’s need, nor do we provide individualized investment advice to attendees during general sessions.

### **General Information**

We do not serve as sponsor or portfolio manager for a wrap fee investment program, nor do we provide legal services. With your consent, we may work with your attorney to assist with the coordination and implementation of accepted strategies. You should be aware they may bill you separately for services and these fees will be in addition to those of our firm.

Our firm will use its best judgment and good faith effort in rendering its services. ButtonWood Advisors, LLC cannot warrant or guarantee any particular level of account performance, or that account will be profitable over time. Past performance is not necessarily indicative of future results.

Except as may otherwise be provided by law, our firm will not be liable to the client, heirs, or assignees for any loss an account may suffer by reason of an investment decision made or other action taken or omitted in good faith by our firm with that degree of care, skill, prudence and diligence under the circumstances that a prudent person acting in a fiduciary capacity would use; any loss arising from our adherence to your direction or that of your legal agent; or any act or failure to act by a service provider maintaining an account.

Notwithstanding the preceding statement, nothing within our client agreement is intended to diminish in any way our fiduciary obligation to act in your best interest or in any way limit or waive your rights under federal or state securities laws or the rules promulgated pursuant to those laws.

## **Item 5 - Fees and Compensation**<sup>2</sup>

### **Hourly Fees**

Under certain special circumstances, we provide financial planning and investment consultation projects or individual modules under an hourly engagement. Prior to entering this agreement you will receive an estimate of the fee range. These circumstances can include work on a particular project, financial planning module or if a client wishes a ‘when desired’ follow-up.

Our hourly fee will be based on the level of expertise required to develop your plan and will range from \$100-\$600 per hour. You are billed for the actual time spent by our firm; assessed in six minute increments, and a partial increment will be treated as a whole.

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<sup>2</sup>ButtonWood Advisors, LLC reserves the right to assess a lower fee to its associates and related persons’ accounts maintained by the firm through its selected custodian. Although the firm is not obligated to do so, clients that maintain an active engagement agreement with the firm that precedes the date of this brochure may be assessed a lower fee.

Our firm generally requires a deposit for initial hourly engagements in the amount of one half of the estimated fee range. The balance of fees is due and payable immediately upon our presentation of the plan to you or your legal agent. Services to be provided and anticipated the range are detailed in a written service agreement.

Fees for hourly engagements are negotiable at the discretion of our firm principal and comparable services may be provided elsewhere for lower fee.

#### Goals and Financial Planning Option

There is a \$1500 minimum for this planning option and 50% is expected in advance.

#### Family Office Services Retainer Option – Personal Chief Financial Officer

Fees for this Option are negotiated annually based on the client’s Invested Capital (IC)\*. For purposes of the calculation Invested Capital (IC) is defined as net worth plus long-term debt. The determined negotiated fee is expected to be paid quarterly in advance. There is a \$6000 annual minimum, at \$1500 quarterly.

Cost schedule for this option is:

TRANCHE	INVESTED CAPITAL*	QUARTERLY	ANNUAL	DOLLARS PER THOUSAND
1 <sup>st</sup>	\$2,000,000	.250%	1%	\$10
Next	\$3,000,000	.125%	0.5%	\$5
Next	\$5,000,000	.0825%	0.33%	\$3.30
Next	\$40,000,000	.0625%	0.25%	\$2.50

#### Investment Management Only Option

This Option includes assets advised on regardless of custody location. If assets under management are less than \$500,000 there is a minimum quarterly cost of \$312.50 with an annual cost of 125 basis points or 1.25%.

If assets under management are greater than \$500,000 then there is a minimum quarterly cost of \$625 and an annual cost of: (please see grid below)

TRANCHE	PORTFOLIO SIZE	QUARTERLY	ANNUAL	DOLLAR/ THOUSAND
1 <sup>st</sup>	\$1,000,000	.125%	0.5%	\$5
Next	\$4,000,000	.075%	0.3%	\$3
Next	\$5,000,000	.0626%	0.25%	\$2.50
Next	\$10,000,000	.0375%	0.15%	\$1.50
Over	\$20,000,000	Negotiable		

There are no offsets for Goals and Financial Planning and Investment Policy Cost (above).

#### Wealth Management Services

The initial engagement fee for wealth management services is \$2,000 upon execution of the agreement and \$2,000 on the delivery of investment policy. As described below should ButtonWood Advisors be selected to implement the IPS this initial fee is fully credited against future billings.

The fees for ongoing wealth management services are determined based upon a percentage of the client's assets and liabilities directly or indirectly under ButtonWood Advisors counsel. There is a minimum annual fee of \$6,000; however should the client not to elect the implement the firm's recommendations subsequent to the delivery of the investment policy statement, no further charges beyond the implementation fee will be incurred.

Should, as in almost all cases, the client elect to continue the relationship with ButtonWood Advisors after delivery of the investment policy statement, quarterly billing of the ongoing wealth management fee (described below) will begin on the implementation of investment policy statement. Beginning with the first quarter, the billing will be reduced by the initial engagement fees already paid.

The annual wealth management fee is based on a percentage of the client's assets and liabilities under the direct or indirect counsel of ButtonWood Advisors:

Tranche	Asset & Liabilities	Quarterly Fee*	Annual Fee*	Dollars/Thousand
First	\$2,000,000	.2500%	1.00%	\$10.00
Next	\$3,000,000	.1000%	.40%	\$ 4.00
Next	\$5,000,000	.0825%	.33%	\$ 3.30
Next	\$10,000,000	.0625	.25%	\$ 2.50
Next	>\$20,000,000	.0375	.15%	\$1.50

***\*Subject to a minimum quarterly fee of \$1,500***

#### Third-Party Investment Advisor Services and Investment Management Services

Whether you choose to engage our recommended third-party investment advisers or ButtonWood Advisors, LLC directly for its customized investment services, and annual asset liability based fee authorized in writing either our firm or the third-party investment advisor to allow the selected broker/dealer or custodian (collectively, "service provider") to deduct advisory fees, any applicable charges, etc. from your account, and all fees will be clearly noted on your statements. You will be sent a written notice of the fees to be deducted from the account and it will include the total amount of the fee to be deducted as well as the covered time, calculation formula utilized, and the assets and liabilities under the counsel of ButtonWood Advisors.

For those assets - liabilities not held by a custodian that our firm has an agreement with you will be directly billed and fees will be due in full within 20 days of the receipt of our firm's invoice.

In all instances, you share the responsibility for verifying the accuracy of the calculations in your invoice and/or statement.

#### Household Accounts

We may aggregate *or* household accounts (including multiple accounts) from the same individual; two or more accounts within the same family; accounts where a family member has power of attorney over another family member or incompetent person's account. Should however, investment objectives be substantially different for any two or more household accounts requiring different investment policy statements, we do reserve the right to apply our fee schedule separately for each account

Each third-party investment advisor retains the right to assess their fees per their policy therefore the determination of household accounts for fee purposes will need to be evaluated on a case-by-case basis.

### Billing Cycle involving Fee Assessments

Annualized asset-liability based fees for third-party investment advisors and wealth management services will be billed quarterly, in advance. Fee payments will generally be assessed within 10 business days following each calendar billing period.

An account's first billing cycle will occur once the agreement is executed and accounts are funded. This is irrespective of a partial period under our management; however a partial period will be assessed a prorated fee.

For purposes of determining accounts asset values, securities and other investments instruments traded on the market in which actual transaction prices are publicly reported will generally be valued at the last reported sale price on the principal market in which they are traded. If there are no sales on such date, then they will be determined by the mean between the closing bid and ask price on that date.

Other readily marketable securities will be valued using a pricing service or through quotations from one or more inter-market dealer's. In the absence of a market value, we may seek an independent third-party opinion or three good faith determination by qualified associate of our firm.

The applicable fees referenced include all fees and charges for the services our firm and our investment advisor representatives. Wealth Management Service clients will be required to authorize in writing either our firm or the third-party investment advisor to allow the selected broker dealer or custodian (collectively "service provider") to deduct advisory fees, any applicable transaction charges, etc., from your account, and all fees will be clearly noted on your statements. You will be sent a written notice of the fees to be deducted from the account and it will include the total fee to be deducted as well as the covered time., calculation formula utilized, and assess and liabilities under the counsel of ButtonWood Advisors on which the fee was based.

For those assets - liabilities not held by a custodian that our firm has an agreement with you will be directly billed and fees will be due in full within 20 days of the receipt of our firm's invoice.

In all instances you will share responsibility for verifying the accuracy of the fee calculations in your invoice and or statement.

*Further information about our fees in relationship to operational practices with our custodian is noted in Item 12 of this document.*

### Workshops

Our workshop engagements are generally *pro bono* in nature. In the event there is a charge for a workshop, it is anticipated to be paid by the engagement sponsor, such as an employer or association. Fees for these events are typically a fixed fee amount based on the firm's hourly fee and/or cost of workshop materials, and would be negotiated with the sponsor in advance of the presentation.

### Potential Additional Client Fee Information

Specific product recommendations made by our firm usually involve "no-load" (i.e., no commission) products, if available, or low-load products. In some cases, such as with actively-managed mutual funds and insurance, there may not be a suitable selection of no-load products available for recommendation.

If that is the case, and there are appropriate 'load' funds fitting the firm's recommendations you will be informed in writing if and when ButtonWood Advisors will receive a commission on your purchase. You will need to approve of that situation in writing. Any compensation so received by ButtonWood Advisors through your approval will be credited against the fees charged by the firm for work done on your behalf.

Any transactional (i.e., brokerage) or custodial fees assessed by the selected service providers, individual retirement account fees, or qualified retirement plan account termination fees are borne by you and are as provided in the current, separate fee schedule of the selected service provider. Fees paid to our firm for our services are separate from any charges you may pay for mutual funds, ETFs or other investments of this type.

We do not receive “trailer” or SEC Rule 12b-1 fees from any investment company. Fees charged by these issuers are detailed in their prospectuses or product descriptions and you are encouraged to read these documents before investing. Our firm and its associates receive none of these described or similar fees or charges.

### Termination of Services

Either party may terminate the agreement at any time, which will typically be in writing. Should you verbally notify our firm of the termination and, if in two business days following the note of the termination we have not received your notice in writing, we will make a written notice of termination in our records and send you our own termination notice as a substitute.

If you are a new client, you may terminate an agreement with our firm within five business days after the signing of our engagement without penalty or charge. Should you terminate a financial planning and investment consultation agreement after this date, you may be invoiced for any time charges incurred by our firm in the preparation of your plan. In the case of any prepaid fees involving any of our service arrangements, we will promptly return any unearned amount.

Our firm will not be responsible for future allocations, transactional services or investment advice upon receipt of termination notice.

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

Our fees will not be based upon a share of capital gains or capital appreciation (growth) of any portion of managed funds, also known as “performance-based fees.” ButtonWood Advisors, LLC does not use a performance-based fee structure because of the potential conflict of interest this type of fee structure may pose. Performance-based compensation may create an incentive for a firm to recommend an investment that may carry a higher degree of risk to a client.

Side-by-side management refers to a firm simultaneously managing accounts that do pay performance based fees (such as a hedge fund) and those that do not; this type of arrangement, and the conflict of interest it may pose, is also not applicable to our firm’s practices.

### **Item 7 - Types of Clients**

We provide our services to individual investors, trusts, estates, charitable organizations, pension and profit sharing plans, and businesses of various size and scope to assist them in meeting their financial objectives in what is believed to be a cost-effective way.

Our ability to provide our service and advice depends on access to important information. Accordingly, you are expected to provide us with an adequate level of information and supporting documentation throughout the term of the engagement, including but not limited to: source of funds; income levels, your (or your legal agent’s) authority to act on behalf of the account, among other information. This helps us determine the appropriateness of our financial planning or investment strategy for you and your account.

It is very important that you keep us up-to-date on significant changes that may call for an update to your financial and investment plans. Events such as changes in employment; stock option plans, marital status, or the purchase or sale of a

home or business can have a tremendous impact on your circumstances and needs. If we are aware of such events, we can make the adjustments needed to your plan or advice in order to keep you on track toward your goals.

We do not require minimum income levels, minimum level of assets, or other conditions for our financial planning and investment consultation services. Please see Item 5-Fees and Compensation for minimum annual fees for our wealth management services. Certain third party investment advisors may also require a minimum account size to engage their services and these will be further described in the third party investment advisor's ADV Part 2A or similar document.

Our firm reserves the right to waive or reduce certain fees based on unique individual circumstances, special arrangements, pre-existing relationships or as otherwise may be determined by the Firm principal. We also reserve the right to decline services to any prospective client for any reason.

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

### **Method of Analysis**

If we are engaged to provide investment consultation or investment supervisory services, we will first evaluate several factors, including your:

- current financial situation;
- current and long-term needs;
- investment goals and objectives;
- level of investment knowledge; and
- tolerance for risk.

To achieve this, we typically employ fundamental analyses to develop long-term investment strategies. Fundamental analysis involves evaluating economic factors including interest rates, current state of the economy, and future growth of an issuer or sector, among others.

Our research and recommendations may be drawn from sources that include financial publications, investment analysis and reporting software, research materials from outside sources, corporate rating services or inspections, annual reports, prospectuses and other regulatory filings, as well as company press releases.

We make asset allocation and investment policy decisions based on these and other factors. We will then discuss with you how, in our best judgment, to meet your objectives while at the same time seeking a prudent level of risk exposure.

### **Investment Strategies**

We believe there is little gain in investing without some risk; the more risk, the more potential gain. We have never heard of an investor being concerned about making too much, but there may be comment if there is a loss. To avoid this situation, each client needs a strategic plan that sets limits on how much they are willing to lose – or gain without reallocation, for that matter.

Without this measurement an investor will get caught in the trap of “buying high and selling low” or perhaps not taking gains when appropriate.

Equity markets reflect a vast complex network of information, expectation and human behavior. These forces generally, but not always, move security prices to what is considered their ‘fair’ market values. Markets can or sometimes don't reward investors for the capital they supply. Companies do however, compete with each other for this capital and millions of investors compete with each other for what they believe are the most attractive returns. Traditionally investors strive to beat the market by taking advantage of pricing errors and attempting to predict the future. All too

often these attempts fail and investors miss the returns the overall markets might have provided had they taken a longer term approach.

Investors are potentially rewarded or punished in proportion to the risk they take on. Investment decisions based around compensated risk in equity and bond markets can connect investors to investment resources that have the potential to build wealth over time.

Significant above average investment return is rarely accomplished without taking on some risk. But not all risk carries a reliable reward. Academic studies have shown there are some risks worth taking, and have also shown there are some risks that are not worth the effort.

We believe stocks are generally riskier than bonds and should have greater expected returns. Returns among stocks are driven by many things, but significantly by two dimensions: small versus large; value versus growth.

Successful investing means not only capturing risks that generate reliable returns but reducing or avoiding risks that do not. Avoidable risks may include holding too few companies or securities; “betting” on countries or industries, following market predictions, and speculating on information from rating services or the “talking heads.” We believe the “antidote” to these types of risk is *diversification*.

Capital markets are composed of many classes of securities. And a group of securities that share similar economic traits are often referred to as an *asset class*. There are several differing asset classes, all with average price movements, that are distinct from one another. Investors can benefit by combining the different asset classes in a portfolio.

Because asset classes play different roles in a portfolio, the whole can sometimes be greater than the sum of its parts. Investors then, may have the potential to achieve greater than expected returns with less price fluctuation and more consistency than they might see with a less comprehensive approach.

No two investors are alike and there is no single optimal asset allocation strategy. Each investor has his or her own risk tolerances, financial and other goals, and other life circumstances that shape an individualized asset allocation structure specifically based upon their needs and risk profile. In general, the larger the proportion of stocks in an investment allocation strategy (especially with small cap and value stocks) typically means a larger amount of risk in that allocation, along with the related expectation of greater investment return or loss.

We generally use low-cost investments such as index mutual funds and ETFs, whenever it is appropriate possible to do so, as well as employing investment strategies utilizing bonds ladders.

### Risk of Loss

While we believe our strategies and investment recommendation are designed to potentially produce the highest possible return for a given level of risk, we cannot guarantee that an investment objective or planning goal will be achieved. Past performance is not necessarily indicative of future results.

Some investment decisions may result in loss, including potential loss of the original principal invested. Each client must be able to bear the various risks involved in the investment of account assets, which in general may include market, currency, interest rate, liquidity, operational or political risk, among others.

The challenge involved in employing fundamental analyses is that information obtained may be incorrect; the analysis may not provide an accurate estimate of earnings, which may be the basis for a security’s value. If a security’s price adjusts rapidly to new information, a fundamental analysis may result in unfavorable performance.

When our research and analyses is based upon commercially available software, rating services, general market and financial information, or due diligence reviews, we are relying upon the accuracy and validity of the information or capabilities being provided by selected vendors, rating services, market data, and the issuers themselves.

We make a reasonable effort to determine the accuracy of the information received but we cannot predict events, actions taken or not taken, or the validity of all information researched or provided which may or may not affect the advice to a client or account.

When a portfolio employs a passive, efficient markets theory, you will need to consider the potential risk that your broader allocation may generate lower-than-expected returns than that from a specific asset, and that the return on each type of asset is a deviation from the average return of the asset class. We believe this variance from the “expected return” is generally low under normal market conditions if the portfolio is made up of diverse, low or non-correlated assets.

If your selected portfolio strategy involves more frequent trading, it may result in additional transactional costs or create taxable events, and in some instances potentially reducing or negating any benefit derived by shorter term investing.

Investment vehicles such as ETFs and indexed funds have the potential to be affected by “tracking error risk,” which might be defined as a deviation from their stated benchmark (index). Since the core of a portfolio may attempt to closely replicate a stated benchmark, the source of the tracking error or deviation may come from a “sample index” that may not as closely align the stated benchmark. In these instances, the firm may choose to reduce the weighting of a holding or use a “replicate index” position as part of its core holdings to minimize the effects of the tracking error in relation to the overall portfolio.

Also, while many index funds and ETFs are known for their potential tax-efficiency and higher “qualified dividend income” (QDI) percentages, there are certain asset classes or holding periods within a fund or ETF that may not benefit. Shorter holding periods or certain commodities and currencies (potentially within the fund/ETF) may be considered nonqualified, therefore the investments QDI will be considered if tax efficiency is an important aspect of your portfolio.

Bonds themselves may be affected by various forms of risk, such as:

**Interest Rate Risk** - The risk that the value of a bond will decrease because of an increase in interest rates; or rates fall when maturing bonds are paid off prior to maturity requiring reinvestment at a lower yield.

**Liquidity Risk** - The inability to readily buy or sell an investment for a price close to the true underlying value of the asset due to a lack of buyers or sellers. While bonds are generally liquid, there are risks and they may occur when issues trading on any given period does not readily support buys and sells at an efficient price. Conversely, when trading volume is high there is also a risk of not being able to purchase a particular bond issue.

**Credit Risk** - The potential risk that a bond issuer will be unable to pay scheduled interest or repay principal at maturity, sometimes referred to as “default risk,” is an example. Credit risk also may occur when an issuer’s ability to make payments of principal and interest when due is interrupted. This may result in a negative impact on all forms of debt instruments, as well as funds or ETF share values. Bondholders are creditors of an issuer, and therefore, have priority to assets before equity holders (i.e., stockholders) when receiving a payout from liquidation or restructuring. When defaults occur due to bankruptcy, the type of bond held will determine seniority of payment.

**Reinvestment Risk** – With declining interest rates investors may have to reinvest interest income or principal at the current lower rate.

**Duration Risk** - Duration is the measurement in years of the period required for the price of a bond to be repaid by its internal cash flow and is important since bonds with higher durations carry more (duration) risk and have higher price volatility than bonds with lower durations.

Bond ladders can be adversely affected by those items noted that have impact on individual bond positions. Additionally, bond ladders are better served for accounts where ample funds are available to build and maintain an appropriate ladder, often benchmarked at \$50,000 or more, and portfolios employing this strategy must ensure adequate liquidity to avoid selling previously positioned bonds within the ladder.

### **Item 9 - Disciplinary Information**

Neither the firm nor its management has been involved in a material criminal or civil action in a domestic, foreign or military jurisdiction, an administrative enforcement action, or self-regulatory organization proceeding that would reflect poorly upon our firm's advisory business or the integrity of our firm.

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

Our policies require our firm and its associates to conduct business activities in a manner that avoid actual or potential conflicts of interest between the firm, its employees and clients, or that may be contrary to law.

We will provide disclosure to each client prior to and throughout the term of an engagement regarding any conflicts of interest which might reasonably compromise our impartiality or independence.

Neither our firm nor a member of its management is, or has a material relationship with any of the following types of entities:

- broker/dealer, municipal securities dealer, or government securities dealer or broker;
- futures commission merchant, commodity pool operator, or commodity trading advisor;
- banking or thrift institution;
- lawyer or law firm;\*
- insurance company or insurance agency;\*
- pension consultant;
- real estate broker or dealer;
- sponsor or syndicator of limited partnerships; or
- investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund).

\*Upon your request and when appropriate to do so, we may provide referrals to various professionals other in your area, such as an attorney. We do not have an agreement with or receive fees from these professionals for these informal referrals. Any fees charged by these other entities for their services are completely separate from advisory fees charged by our advisory firm.

An investment advisor representative of ButtonWood Advisors, LLC may also serve as an accountant associated with our affiliates, the accounting firm of "Victor Hess, CPA." Certain clients may maintain a relationship with both the entities, with services provided under separate agreements. No referral fee or other incentive compensation arrangement exists should clients have a relationship with or seek the service of both of these entities.

Our firm is a member of the Garrett Planning Network, Inc. an organization that assists financial planners in fee-only, financial planning practices. The Garrett Planning Network is not a registered financial industry participant, however, we do pay an annual membership fee for services that include training, compliance and operational support to enhance our ability to provide quality service and advice to the investing public.

Associates of the firm may hold individual membership in professional industry associations or organizations such as the National Association of Personal Financial Advisors (NAPFA), National Institute of Certified College Planners, or the Certified Financial Planner Board of Standards, Inc. Generally, participation in any of these entities require membership fees to be paid, adherence to ethical guidelines, as well as in meeting experiential and ongoing educational requirements.

When appropriate, we may provide recommendation to third-party investment managers (who are also required to be registered as investment advisors) to service part of or your entire portfolio and in which both firms inevitably are paid a portion of an advisory fee (see Items 4 and 5).

## **Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### **Code of Ethics**

We have adopted a Code of Ethics that establishes policies of ethical conduct for all our personnel. Our firm accepts the obligation not only to comply with all applicable laws and regulations but also to act in an ethical and professionally responsible manner in all professional services and activities. Our policies include prohibitions against insider trading, circulation of industry rumor, certain political contributions, among others.

Associates who are CFP® designees or FPA members also adhere to the Certified Financial Planner Board of Standards Code of Ethics. These principles include:

#### ***Principle 1 – Integrity***

An advisor will provide professional services with integrity. Integrity demands honesty and candor which must not be subordinated to personal gain and advantage. Advisors are placed by clients in positions of trust by clients, and the ultimate source of that trust is the advisor's personal integrity. Allowance can be made for innocent error and legitimate differences of opinion; but integrity cannot co-exist with deceit or subordination of one's principles.

#### ***Principle 2 – Objectivity***

An advisor will provide professional services objectively. Objectivity requires intellectual honesty and impartiality. Regardless of the particular service rendered or the capacity in which an advisor functions, an advisor should protect the integrity of their work, maintain objectivity and avoid subordination of their judgment.

#### ***Principle 3 – Competence***

Advisors will maintain the necessary knowledge and skill to provide professional services competently. Competence means attaining and maintaining an adequate level of knowledge and skill, and applies that knowledge effectively in providing services to clients. Competence also includes the wisdom to recognize the limitations of that knowledge and when consultation with other professionals is appropriate or referral to other professionals necessary. Advisors make a continuing commitment to learning and professional improvement.

#### ***Principle 4 – Fairness***

Advisors will be fair and reasonable in all professional relationships. Fairness requires impartiality, intellectual honesty and disclosure of material conflict(s) of interest. It involves a subordination of one's own feelings, prejudices and desires so as to achieve a proper balance of conflicting interests. Fairness is treating others in the same fashion that you would want to be treated and is an essential trait of any professional.

### **Principle 5 – Confidentiality**

Advisors will protect the confidentiality of all client information. Confidentiality means ensuring that information is accessible only to those authorized to have access. A relationship of trust and confidence with the client can only be built upon the understanding that the client's information will remain confidential.

### **Principle 6 – Professionalism**

Advisors will act in a manner that demonstrates exemplary professional conduct. Professionalism requires behaving with dignity and courtesy to all who use their services, fellow professionals, and those in related professions. Advisors cooperate with fellow advisors to enhance and maintain the profession's public image and improve the quality of services.

### **Principle 7 – Diligence**

Advisors will provide professional services diligently. Diligence is the provision of services in a reasonably prompt and thorough manner, including the proper planning for, and supervision of, the rendering of professional services.

Additionally, associates of our firm that are NAPFA or Garrett Planning Network members adhere to the NAPFA **Fiduciary Oath** that states that:

*"The advisor shall exercise his/her best efforts to act in good faith and in the best interests of the client.*

*The advisor shall provide written disclosure to the client prior to the engagement of the advisor, and thereafter throughout the term of the engagement, of any conflicts of interest, which will or reasonably may compromise the impartiality or independence of the advisor.*

*The advisor, or any party in which the advisor has a financial interest, does not receive any compensation or other remuneration that is contingent on any client's purchase or sale of a financial product.*

*The advisor does not receive a fee or other compensation from another party based on the referral of a client or the client's business.*

#### **Following the NAPFA Fiduciary Oath means I shall:**

- \* Always act in good faith and with candor.*
- \* Be proactive in disclosing any conflicts of interest that may impact a client.*
- \* Not accept any referral fees or compensation contingent upon the purchase or sale of a financial product."*

We periodically review and amend our Code of Ethics to ensure that it remains current, and we require all firm access persons to attest to their understanding of and adherence to the Code of Ethics at least annually.

Our firm will provide of copy of its Code of Ethics to any client or prospective client upon request.

#### **Privacy Policy Statement**

At ButtonWood Advisors, LLC, we respect the personal financial privacy of all our clients and prospective clients, past and present. We realize you have entrusted us with personal financial information, and it is important to us that all employees and clients of our firm know our policy concerning what we do with that information.

We collect personal financial information about our clients from the following sources:

- Information our clients provide to us to complete their financial plan or investment recommendation;

- Information our clients provide to us in agreements, account applications, and other documents completed in connection with the opening and maintenance of their accounts;
- Information our clients provide to us orally; and
- Information we may receive from third parties, such as custodians, about client transactions.

We do not disclose nonpublic personal financial information about our clients to anyone, except in the following circumstances:

- When required to provide services our clients have requested;
- When our clients have specifically authorized us to do;
- When required during the course of a firm assessment (i.e., independent audit); or
- When permitted or required by law (i.e., periodic regulatory examination).

Within our company, we restrict access to client information to the employees who need to know that information. To ensure security and confidentiality, we maintain physical, electronic, and procedural safeguards to protect the privacy of our clients.

Within our firm, we restrict access to client information to staff that need to know that information. All personnel and our service providers understand that everything handled in our office is confidential and they are instructed to not discuss client information or situation with someone else that may request information about an account unless they are specifically authorized in writing by the client to do so. This includes, for example, providing information about a spouse's IRA account; children about parents' accounts, etc.

We will notify you annually of our privacy policy and at any time, in advance, if our policy is expected to change.

#### Participation or Interest in Client Transactions

Neither our firm, associates or any related person is authorized to recommend to a client, or effect a transaction for a client, involving any security in which our firm or a related person has a material financial interest, such as in the capacity as an underwriter, advisor to the issuer, etc.

Our employees are prohibited from borrowing from or lending to a client unless the client is an approved financial institution.

We recognize that should we act as the advisor to the sponsor of an ERISA-qualified retirement plan (i.e., 401(k) or pension plan) and one of our associates serves in an advisory capacity to one or more of the plan's participants, a potential or implied conflict of interest may occur. We may require our associate to cease in this plan participant advisory capacity or, upon disclosure to and approval from the plan sponsor, allow the dual advisory role to continue with consideration being made to offset fees where appropriate.

Our firm provides a range of services to you and all of our clients in which we may be paid a fee. Due to our firm's ability to offer part or all of these services to you, a potential conflict of interest may exist. Therefore, you are under no obligation to act upon our recommendations and, if you elect to act on any of our recommendations, you are under no obligation to complete all of them through our firm.

#### Firm and Personal Trading

Our firm does not trade for its own account (i.e., proprietary trading). The firm's "related persons" (affiliates, associates and their immediate family members) may buy or sell securities similar to, or different from, those we recommend to clients for their accounts. A recommendation made to one client may be different in nature or in timing from a

recommendation made to a different client. At no time, however, will our firm or any related party receive preferential treatment over our clients.

In an effort to reduce or eliminate certain conflicts of interest involving personal trading, our policy may require that we restrict or prohibit associates' transactions in specific reportable securities transactions. Any exceptions or trading pre-clearance must be approved by a principal of our firm in advance of the transaction in an account, and we will maintain the required personal securities transaction records per current regulation.

## **Item 12 - Brokerage Practices**

### **Factors Used to Select Broker-Dealers for Client Transactions**

ButtonWood Advisors, LLC does not maintain custody of any of your assets (see Item 15). Your assets must be maintained in an account at a "qualified custodian" (generally a broker/dealer, bank or trust company) that is frequently assessed for its capabilities to serve as a custodian by their respective industry regulatory authority. Our firm is not a custodian nor do we have an affiliate that is a custodian.

When engaged to provide investment consultation services, we may recommend the service provider with whom your assets are currently maintained. Should you prefer a new service provider, our recommendation of another service provider would be based on your needs, overall cost, and ease of use.

If you have engaged our firm to provide investment management or investment supervisory services, we generally recommend our clients use the institutional services divisions of Shareholders Services Group, Inc. ("SSG"), who ultimately conducts transactions and asset custody through Pershing, LLC – a BNY Mellon Company ("Pershing"), both of whom are FINRA and SIPC members,<sup>3</sup> and are independent SEC-registered broker/dealers. As stated earlier, our firm is independently owned and operated and is not legally affiliated with SSG or Pershing, or any other firm we may recommend.

While we recommend that you use SSG as your service provider, you will decide whether to do so and will open your account with them by entering into an account agreement directly with them. We do not open the account for you, although we will assist you in doing so. If you do not wish to place your assets with SSG or Pershing, LLC through SSG, then we potentially may not be able to manage your account under our third-party investment management or investment supervisory services engagements.

SSG offers independent investment advisors various services which include custody of securities, trade execution, clearance and settlement of transactions. Our firm may receive certain benefits from SSG through participation in their programs (please see Item 14).

We periodically conduct an assessment of any service provider we recommend (including SSG) which generally involves a review of their range of services, reasonableness of fees, among other items, and in comparison to their industry peers.

### **Best Execution**

Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed in the earlier paragraph. We recognize our obligation in seeking "best execution" for our clients, however, it is our belief that the determinative factor is not always the lowest possible cost but whether the selected service provider's transactions represent the best "qualitative" execution while taking into consideration the full range of services

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<sup>3</sup> Our firm is not, nor required to be, a Financial Industry Regulatory Authority (FINRA), National Futures Association (NFA) or Securities Investor Protection Corporation (SIPC) member. You may learn more about the SIPC and how it serves member firms and the investing public by going to their website at <http://www.sipc.org>.

provided. Therefore, we will seek services involving competitive rates but it may not necessarily correlate into the lowest possible rate for each transaction.

We have determined that having our firm's trades executed through SSG/Pershing is consistent with our duty to seek "best execution" of your trades. We also periodically review policies regarding our recommending service providers to our clients in light of our duty to seek "best execution."

#### Directed Brokerage

We do not require or engage in directed brokerage involving our accounts.

As our client, you may direct our firm (in writing) to use another particular broker/dealer to execute some or all transactions for your account. In these circumstances, you will be responsible for negotiating, in advance, the terms and/or arrangements for your account with your selected broker/dealer. We will be limited in our ability to execute trades on your behalf and you may be required to do these on your own.

We will not be obligated to seek better execution services or prices from these other broker/dealers, or be able to aggregate your transactions, should we choose to do so, for execution through other custodians with orders for other accounts managed by our firm. As a result, you may pay higher commissions or other transaction costs, experience greater spreads, or receive less favorable net prices, on transactions for your account than would otherwise be the case. Further, pursuant to our obligation of best execution, we may decline a request to direct brokerage if we believe any directed brokerage arrangement would result in additional operational difficulties or risk to our firm.

#### Aggregating Securities Transactions

Transactions for each of our clients will generally be effected independently unless we decide to purchase or sell the same securities for several clients at approximately the same time, often termed "aggregated" or "batched" orders. We do not receive any additional compensation or remuneration as a result of aggregated transactions.

We may, but are not obligated to, aggregate orders in an attempt to obtain better execution, negotiate favorable transaction rates, or to allocate equitably among our client accounts should there be differences in prices and commissions or other transaction costs that might have been obtained had such orders been separately placed.

Commission prices may vary due to account size and/or confirmation receipt method. To the extent that the firm determines to aggregate client orders for the purchase or sale of securities, including securities in which the firm or related party may invest, the firm will generally do so in accordance with the parameters set forth in SEC No-Action Letter, *SMC Capital, Inc.*

Client accounts where trade aggregation is not allowed or infeasible may potentially be assessed higher transaction costs than those that are batched.

We review both our trade aggregation procedures and post-trade allocation processes on a periodic basis to ensure they remain within stated policies and regulation. We will inform you, in advance, should our trade aggregation and allocation practices change at any point in the future.

#### Trade Errors

The firm corrects all trade errors through a Trade Error Account maintained by the firm's custodian and the firm will be responsible for any losses in accounts. Likewise, the firm may also receive any gains resulting from the correction of any trade errors and, therefore, may potentially receive a benefit from this arrangement.

## **Item 13 - Review of Accounts**

### ***Financial Planning and Investment Consultation Services***

Periodic financial check-ups or reviews are recommended if you are receiving financial planning and investment consultation services from our firm, and it would necessary for you to initiate these reviews.

Reviews will be conducted by an assigned financial planner and normally involve analysis and possible revision of a previous financial plan or investment allocation.

### ***Third Party Investment Advisors***

If your account is served by a recommended third party investment advisor, our firm will periodically review reports provided to you by the third party advisor.

We will also contact you at least annually to review your financial situation and objectives, communicate information to the third party investment advisor as warranted, and assist you in understanding and evaluating the services provided by the third party investment advisor.

It is important that you notify our firm of any changes in your financial situation, investment objectives, or account restrictions. You are also able to contact the third party investment advisor managing your account.

### ***Investment Supervisory Services and Family Wealth Office/Personal Chief Financial Officer Services***

Accounts managed by our firm are periodically reviewed throughout the year by the assigned investment advisor representative, supervisory personnel (such as our firm principal), or a qualified independent entity engaged by our firm.

Additional reviews may be triggered by news or research related to a specific holding, a change in our view of the investment merits of a holding, or news related to the macroeconomic climate affecting a sector or holding within that sector.

Accounts may also be reviewed when being considered for an additional holding or an increase in a current position. Account cash levels above or below that deemed appropriate for the investment environment, given your stated tolerance for risk and investment objectives, may also trigger a review.

### **Reports and Frequency**

If you have opened and maintained an investment account on your own or with our assistance, you will receive account statements sent directly from mutual fund companies, transfer agents, custodians or brokerage companies where your investments are held. We urge you to carefully review these statements for accuracy and clarity, and to ask questions when something is not clear.

We may provide portfolio reports if we are engaged to provide periodic asset allocation or investment advice, however, we do not provide ongoing performance reporting under our financial planning or investment consultation services engagements.

For our investment supervisory services accounts, investment management, and family wealth office services, our firm may provide quarterly portfolio statement and position performance summary reports, and annual realized gains/loss reports for taxable accounts. Some clients may receive additional reports depending on their specific requirements.

All firm performance reports will be prepared in accordance with appropriate jurisdictional guidance. Clients are urged to carefully review and compare account statements that they have received directly from their service provider with any report received from our firm.

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

### **Economic Benefit from External Sources and Potential Conflicts of Interest**

We may receive an economic benefit from external sources in the form of the support products and services they make available to us and other independent investment advisors. As disclosed under Item 12, our firm participates in SSG/Pershing's institutional customer program and we may recommend SSG and its arrangement with Pershing to our clients for custody and brokerage services.

There is no direct link between our participation in the program and the investment advice we give our clients, although our firm receives economic benefits through its participation in the program that are typically not available to "retail investors." These benefits include the following products and services (provided either 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 our clients;
- access to block trading (which provides our ability to aggregate securities transactions for execution and then allocate the appropriate shares to our client's accounts);
- the ability to have advisory fees deducted directly from our client's accounts per our written agreement;
- access to an electronic communications network for client order entry and account information;
- access to mutual funds with no "loads" or transaction fees, and to certain institutional money managers; and
- discounts on compliance, marketing, research, technology, and practice management products or services provided to our firm by third party vendors.

SSG may also pay for business consulting and professional services received by our firm. Some of the products and services made available by SSG may benefit our firm but may not benefit client accounts. These products or services may assist us in managing and administering our client accounts, including accounts not maintained at SSG. These other services made available by SSG are intended to help our firm manage and further develop our business enterprise. The benefits received by our firm or its associates through participation in a program do not depend on the amount of brokerage transactions directed to SSG/Pershing.

As part of our fiduciary duty, our firm will endeavor at all times to put the interests of our clients first. Our clients should be aware, however, that the receipt of any economic benefit by our firm or its associates in and of itself creates a potential conflict of interest and may influence our choice of SSG/Pershing for custody and brokerage services.

### **Advisory Firm Payments for Client Referrals**

We do not engage in solicitation activities as defined by statute.

As noted earlier, ButtonWood Advisors, LLC and its associates may be members of Garrett Planning Network, NAPFA or other professional associations. A benefit these entities may provide to the investing public is the availability of online search tools that allow interested parties (prospective clients) to search for participant firms or individual financial planners within a selected state or region.

These passive websites may provide means for interested persons to contact a firm or financial planner via electronic mail, telephone number, or other contact information, in order to interview the participating firm or planner. Members of the public may also choose to telephone association staff to inquire about a firm or individual planner within their

area, and they would receive the same or similar information. A portion of our membership fees may be used so that our name will be listed in some or all of these entities' websites (or similar listings).

Prospective clients locating our firm or one of our associates via this method are not actively marketed by these associations. Clients who find us in this way do not pay more for their services than clients referred to us in another fashion, such as by another client. We do not pay these entities for prospective client referrals, nor is there a fee-sharing arrangement reflective of a solicitor engagement.

We may provide referrals to various other professionals, such as an attorney, as a service to our clients. We do not have an agreement with or receive referral fees from these professionals for these informal referrals. Any fees charged by these other entities for their services are completely separate from fees charged by ButtonWood Advisors, LLC

### **Item 15 - Custody**

Your funds and securities will be maintained by an unaffiliated, qualified custodian, such as a bank, broker/dealer, mutual fund companies, or transfer agent. Your assets are not held by our firm or any of our associates.

In keeping with our policy of not having custody of our client funds or securities, we:

- Restrict our firm and associates from acting as trustee of a client account or having general power of attorney over a client account.
- Are prohibited from having authority to directly withdraw securities or cash assets from a client account, other than for payment of our advisory fees or transaction settlement. These actions will be accomplished through a qualified custodian maintaining your assets (i.e., your custodian), pursuant to a written agreement and always following your written approval; termed "constructive custody."
- Do not accept or forward client securities (i.e., stock certificates) erroneously delivered to our firm.
- Will not collect advance fees of \$500 or more for services that are to be performed six months or more into the future.
- Will not authorize any associate to have knowledge of a client's account access information (i.e., online 401(k), brokerage or bank accounts), even for the convenience or accommodation of the client or their legal agent when such access might result in physical control over client assets.

You will be provided with transaction confirmations and summary account statements provided directly to you by your selected service provider. Typically, these statements are provided on a monthly or quarterly basis, or as transactions occur. We will not create a statement for you nor be the sole recipient of account statements.

You may receive periodic reports from our firm that may include investment performance information. You are urged to carefully review and compare your account statements that you have received directly from your service provider with any report you receive from our firm.

### **Item 16 - Investment Discretion**

We provide our investment supervisory services to our clients through either a *discretionary* or *non-discretionary* account agreement; although they are generally under a discretionary agreement. Similar to a limited power of attorney, *discretionary authority* allows our firm to implement investment decisions, such as the purchase or sale of a security on behalf of your account, without your prior authorization in order to meet your stated account objectives.

Generally, most third party investment advisors assume discretionary authority over the accounts they supervise. Neither our firm nor an associate will manage or obtain discretionary authority over accounts participating in these programs. If you are participating in the third party investment advisor program, you should thoroughly review the selected third party investment advisor's ADV Part 2 to determine its investment discretion authority and policies.

Should you prefer your investment supervisory services account to be managed by our firm in a *non-discretionary* manner, restricting any or all transactions to occur until following your approval, we may require a higher asset-based fee due to the additional service requirements in support of your account. Also be aware that under this type of engagement, since we must be granted your approval prior to implementing an investment decision, you must make yourself available and keep our firm apprised of your current contact information so that transaction instructions can be efficiently effected on your behalf. *By definition and absent your written instruction to the contrary, non-discretionary transactions do not involve a trade's execution price or time.*

We require all account restrictions, limitations, and rescissions will be made in writing by our clients and approved in writing by the firm principal. We will maintain a record of these requests and they will be retained per regulation.

### **Item 17 - Voting Client Securities**

#### Proxy Voting

Our firm does not vote proxies on your behalf nor do we offer guidance on how to vote proxies. You will maintain exclusive responsibility for directing the manner in which proxies solicited by issuers of securities that are beneficially owned by you shall be voted, as well as making all other elections relative to mergers, acquisitions, tender offers or other events pertaining to your holdings.

Clients engaging third-party investment managers should review the third-party manager's advisory brochure to determine the proxy voting policy of those firms.

#### Other Corporate Actions

We will have no power, authority, responsibility, or obligation to take any action with regard to any claim or potential claim in any bankruptcy proceeding, class action securities litigation or other litigation or proceeding relating to securities held at any time in a client account, including, without limitation, to file proofs of claim or other documents related to such proceeding, or to investigate, initiate, supervise or monitor class action or other litigation involving client assets.

#### Receipt of Materials

You may receive proxies or other similar solicitations sent directly from your selected custodian or transfer agent. Should we receive a duplicate copy, note that we do not generally forward these or any correspondence relating to the voting of your securities, class action litigation, or other corporate actions.

### **Item 18 - Financial Information**

#### Balance Sheet

Our firm will not take physical custody of your assets. Advisory fee withdrawals must be done through a qualified intermediary (e.g., custodian of record) with your prior written approval, and following your receipt of our written notice ("constructive custody").

Our engagements do not require that we will collect fees from you of \$500 or more for our advisory services we will perform six months or more in advance.

Neither the firm nor its management serves as general partner for a partnership or trustee for a trust in which the firm's advisory clients are either partners of the partnership or beneficiaries of the trust.

Due to the nature of our firm's services and operational practices, an audited balance sheet is not required by statute nor included in this brochure.

#### Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients

The firm and its management do not have a financial condition likely to impair our ability to meet our commitment to our clients.

#### Bankruptcy Petitions during the Past 10 Years

The firm and its management have not been the subject of a bankruptcy petition at any time during the past 10 years.

### **Item 19 - Requirements for State-Registered Advisers**

#### Principal Executive Officers and Management Persons

##### ***Managing Member/President/Firm Principal (Supervisor)/Investment Advisor Representative***

**Victor (Vic) L. Hess** [Born 1947]

#### Educational Background and Business Experience

##### ***Educational Background***

B.B.A. University of Wisconsin - Madison

Certified Public Accountant (CPA)<sup>4</sup> [1981]

CERTIFIED FINANCIAL PLANNER™ Practitioner (CFP®)<sup>5</sup> [1999]

Personal Financial Specialist (PFS®)<sup>6</sup> [2000]

Accredited Investment Fiduciary Analyst (AIFA®)<sup>7</sup> [2008]

Certified Fraud Examiner (CFE)<sup>8</sup> [2008]

Accredited Estate Planner (AEP®)<sup>9</sup> [2010]

Certified College Planning Specialist (CCPS)<sup>10</sup> [2010]

Certified Investment Management Analyst<sup>SM</sup> (CIMA®)<sup>11</sup> [2011]

##### ***Business Experience***

ButtonWood Advisors, LLC [2003-Present]

President/Principal; Financial Planning and Asset Management

Victor Hess, CPA [2003-Present]

Sole Proprietor; Accounting and Tax Services

Trustmont Financial Group, Inc. [2010]

Investment Advisor Representative/Registered Representative/Licensed Insurance Agent

KMS Financial Services, Inc. [2009]

Investment Advisor Representative/Registered Representative

#### Disciplinary Information

Registered investment advisors are required to disclose certain material facts regarding any legal or disciplinary events that would be material to your evaluation of each officer or a supervised person providing investment advice. No reportable information is applicable to this section.

### Other Business Activities

Mr. Hess also provides accounting and tax preparation services through an unaffiliated sole proprietorship operating under the name "Victor Hess, CPA," and in which accounts for approximately 15% of his time during business hours each month. Certain clients may maintain a relationship with both the entities with services provided under separate agreements. No referral fee or other incentive compensation arrangement exists should clients have a relationship with or seek the service of both of these entities.

### Additional Compensation

Mr. Hess is not compensated for advisory services involving performance-based fees. He is not a senior executive of or insider to an issuer of a security; nor does he or the firm has a material relationship with the issuer of a security. Our firm also prohibits employees from accepting or receiving additional economic benefit, such as sales awards or other prizes, for providing advisory services to its clients.

Mr. Hess is not registered nor has an application pending to register as a registered representative of a broker/dealer or associated person of a futures commission merchant, commodity pool operator, or commodity trading advisor. Therefore, he does not receive commissions, bonuses or other compensation based on the sale of securities or other investment products, including that as a registered representative of a broker/dealer, and including distribution or service ("trail") fees from the sale of mutual funds.

### Firm Supervision

Mr. Hess serves in multiple capacities with our firm including Managing Member, Firm Principal and Investment Advisor Representative. We recognize by not having all organizational duties segregated may potentially create a conflict of interest, however, we believe our policies and procedures are designed to ensure appropriate recordkeeping and supervision to avoid the potential for conflict of interest. Certain functions may be outsourced to assist in these efforts when deemed necessary. Questions relative to the firm, its services, this ADV Part 2 may be made to the attention of Mr. Hess at (520) 638-8718.

Additional information about our firm, other advisory firms, associated investment advisor representatives, including Mr. Hess, is available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

A search of this site for firms or their associated personnel can be accomplished by their name or a unique firm identifier, known as an *IARD number*. The IARD number for ButtonWood Advisors, LLC is 126058, Mr. Hess' reference number is 2288581.

The business and disciplinary history, if any, of an investment advisory firm and its representatives may also be obtained by calling the Arizona Securities Division at (866) 837-4399.

### Requirements for State-Registered Advisors

There have been neither arbitration awards nor any awards where the firm or Mr. Hess has been found liable in any civil, self-regulatory or administrative proceeding. Neither the firm nor Mr. Hess has been the subject of a bankruptcy petition.

<sup>4</sup>The **Certified Public Accountant (CPA)** - CPAs are licensed and regulated by their state boards of accountancy. While state laws and regulations vary, the education, experience and testing requirements for licensure as a CPA generally include minimum college education (typically 150 credit hours with at least a baccalaureate degree and a concentration in accounting), minimum experience levels (most states require at least one year of experience providing services that involve the use of accounting, attest, compilation, management advisory, financial advisory, tax or consulting skills, all of which must be achieved under the supervision of or verification by a CPA), and successful passage of the Uniform CPA Examination. In order to maintain a CPA license, states generally require the completion of 40 hours of continuing professional education (CPE) each year (or 80 hours over a two year period or 120 hours over a three year period). Additionally, all American Institute of Certified Public Accountants (AICPA) members are required to follow a rigorous *Code of Professional Conduct* which requires that they act with integrity, objectivity, due care, competence, fully disclose any conflicts of interest (and obtain client consent if a conflict exists), maintain client confidentiality, disclose to the client any commission or referral fees, and serve the public interest when providing financial services. The vast majority of state boards of accountancy have adopted the AICPA's *Code of Professional Conduct* within their state accountancy laws or have created their own.

<sup>5</sup>The **CERTIFIED FINANCIAL PLANNER™**, CFP® and federally registered CFP (with flame design) marks (collectively, the “CFP® marks”) are professional certification marks granted in the United States by Certified Financial Planner Board of Standards, Inc. (“CFP Board”).

The CFP® certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP® certification. It is recognized in the United States and a number of other countries for its (1) high standard of professional education; (2) stringent code of conduct and standards of practice; and (3) ethical requirements that govern professional engagements with clients. Currently, more than 69,000 individuals have obtained CFP® certification in the United States.

To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

- Education – Complete an advanced college-level course of study addressing the financial planning subject areas that CFP Board’s studies have determined as necessary for the competent and professional delivery of financial planning services, and attain a Bachelor’s Degree from a regionally accredited United States college or university (or its equivalent from a foreign university). CFP Board’s financial planning subject areas include insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning;
- Examination – Pass the comprehensive CFP® Certification Examination. The examination, administered in 10 hours over a two-day period, includes case studies and client scenarios designed to test one’s ability to correctly diagnose financial planning issues and apply one’s knowledge of financial planning to real world circumstances;
- Experience – Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year); and
- Ethics – Agree to be bound by CFP Board’s *Standards of Professional Conduct*, a set of documents outlining the ethical and practice standards for CFP® professionals.

Individuals who become certified must complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CFP® marks:

- Continuing Education – Complete 30 hours of continuing education hours every two years, including two hours on the *Code of Ethics* and other parts of the *Standards of Professional Conduct*, to maintain competence and keep up with developments in the financial planning field; and
- Ethics – Renew an agreement to be bound by the *Standards of Professional Conduct*. The Standards prominently require that CFP® professionals provide financial planning services at a fiduciary standard of care. This means CFP® professionals must provide financial planning services in the best interests of their clients.

CFP® professionals who fail to comply with the above standards and requirements may be subject to CFP Board’s enforcement process, which could result in suspension or permanent revocation of their CFP® certification.

<sup>6</sup>The **Personal Financial Specialist (PFS)** - The PFS credential demonstrates that an individual has met the minimum education, experience and testing required of a CPA in addition to a minimum level of expertise in personal financial planning. To attain the PFS credential, a candidate must hold an unrevoked CPA license, fulfill 3,000 hours of personal financial planning business experience, complete 80 hours of personal financial planning CPE credits, pass a comprehensive financial planning exam and be an active member of the AICPA. A PFS credential holder is required to adhere to AICPA’s *Code of Professional Conduct*, and is encouraged to follow AICPA’s *Statement on Responsibilities in Financial Planning Practice*. To maintain their PFS credential, the recipient must complete 60 hours of financial planning CPE credits every three years. The PFS credential is administered through the AICPA.

<sup>7</sup>The **Accredited Investment Fiduciary Analyst™(AIFA®)** holder denotes the successful completion of a specialized program on investment fiduciary standards of care and ISO assessment procedures, the passing of a comprehensive examination, as well as meeting the designation's education and professional experience prerequisites. The AIFA designee holds the knowledge necessary to understand and implement a prudent process for Investment Stewards, Investment Advisors, and Investment Managers and can perform fiduciary assessments to verify or certify an entity's conformity to CEFEX’s Global Fiduciary Standard of Excellence. The AIF and AIFA marks are held by the Center for Fiduciary Studies, LLC, a Fiduciary360 (fi360) company.

<sup>8</sup>A **Certified Fraud Examiner (CFE)** is a professional designation granted to those candidates that have proven expertise in fraud prevention, detection and deterrence. To become a CFE the candidate must pass a rigorous examination administered by the Association of Certified Fraud Examiners, meet specific educational and professional requirements, exemplify the highest moral and ethical standards and agree to abide by the CFE Code of Professional Ethics. Certified Fraud Examiner also must maintain annual continuing professional educational requirements and remain an ACFE member in good standing.

<sup>9</sup>The **Accredited Estate Planner® (AEP®)** designation is available to attorneys, Chartered Life Underwriters, Certified Public Accountants, Certified Trust and Financial Advisors, Chartered Financial Consultants, and Certified Financial Planners®. The AEP® designation is awarded by the National Association of Estate Planners & Councils (NAEPC) to recognized estate planning professionals who meet special requirements of education, experience, knowledge, professional reputation, and character. The NAEPC is a national organization of professional estate planners and affiliated Estate Planning Councils focused on establishing and monitoring the highest professional and educational standards. NAEPC fosters public awareness of the quality services rendered by professionals who meet these standards. NAEPC builds a team approach involving cross-professional disciplines to better serve the public’s need in estate planning.

<sup>10</sup>A **Certified College Planning Specialist (CCPS)** is a financial professional who has demonstrated the skills necessary to assist families in preparing for the financial cost of sending children to college. The CCPS is trained to identify the most economically advantageous methods to save and pay for college. Each

applicant must meet one of the following requirements to enter the CCPS certification program: professional certification/designation (CFP®, RFC, ChFC, CLU, CEP, CPA, etc.) or maintain professional financial licensing (i.e., securities, insurance, any state financial license, etc.), or a combination of education and experience deemed satisfactory by the National Institute of Certified College Planners' *Advisory Council*.

<sup>11</sup>Since 1988, Investment Management Consultants Association has been offering the **Certified Investment Management Analyst<sup>SM</sup>** (CIMA®) certification to experienced financial consultants who have successfully completed the rigorous education program and met the other certification requirements. The CIMA® professional provides objective investment advice and guidance to both individuals and institutions. This professional integrates a complex body of investment knowledge and applies it systematically and ethically to assist clients in making prudent investment choices.

The CIMA® certification program is the only credential designed specifically for financial professionals who want to attain a level of competency as an advanced investment consultant. The CIMA® professional integrates a complex body of investment knowledge to provide objective investment advice and guidance to individuals and institutions. That knowledge is applied systematically and ethically to assist clients in making prudent investment decisions.