

**SILVER OAK SECURITIES, INC.**

**Form ADV Part 2A  
Firm Brochure  
March 15, 2022**

**403 N. Parkway, Suite 101  
Jackson, TN 38305  
(731) 668-3825  
[www.silveroaksecurities.com](http://www.silveroaksecurities.com)**

**This brochure provides information about the qualifications and business practices of Silver Oak Securities, Inc. If you have any questions about the contents of this brochure, please contact by telephone at (731) 668-3825. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any State Securities Authority.**

**Additional information about Silver Oak Securities, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Please note that the use of the term "registered investment adviser" and description of Silver Oak Securities, Inc. and/or our associates as "registered" does not imply a certain level of skill or training. You are encouraged to review this Brochure and Brochure Supplements for our firms' associates who advise you for more information on the qualifications of our firm and its employees.**

## **Item 2 – Material Changes**

**Silver Oak Securities, Inc.** filed its last annual amendment to this Firm Brochure on March 30, 2021. Since that time, the following material changes have been made:

- Item 4 – Advisory Business – Updated description of Financial Professional Direct Asset Management program
- Item 4 – Advisory Business – Added description of AdvisorFX Wrap Fee Program
- Item 5 – Fees and Compensation – Updated description of fees and fee practices relative to Financial Professional Direct Asset Management and AdvisorFX
- Item 8 – Methods of Investment Analysis, Investment Strategies and Risk of Loss – Updated descriptions and explanations of these items

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## **Item 4 – Advisory Business**

Silver Oak Securities, Inc. (hereinafter referred to as “SOSI,” “we,” “us,” or “Firm”) is a corporation formed in the State of Tennessee. Our firm has been in business as a registered investment adviser since 2010 and offers various advisory services through individuals who are registered with us as Investment Advisor Representatives (hereinafter referred to as “Financial Professionals”). We are principally owned by William E. Hopkins, II and George Thomas Allen, III.

As of December 31, 2021 we managed \$1,040,008,710 on a discretionary basis.

### **Types of Advisory Services**

As described below, SOSI offers various types of advisory services that include:

- Financial Professional directed asset management
- AdvisorFX Strategist wrap fee program
- Financial planning and consultations
- Referrals to third-party managers
- Retirement plan services

You should be aware of the differences between the fee-based services outlined in the Brochure and commission-based services that are separately available for unmanaged brokerage accounts. We encourage you to review and discuss our Form CRS with your Financial Professional.

### **Financial Professional Directed Asset Management**

Financial Professional directed asset management services are offered through both a non-wrap fee program and a wrap fee program (Compass Wrap Fee Program). Our Financial Professional wrap fee and non-wrap fee accounts are managed on an individualized basis according to the client’s investment objectives, financial goals, risk tolerance, etc. We do not manage these wrap fee accounts in a different fashion than non-wrap fee accounts. As further described in our Compass Wrap Fee Program Brochure, we receive a portion of the wrap fee for our services.

As part of this asset management service, Financial Professionals generally create a portfolio, consisting of individual stocks or bonds, exchange traded funds (“ETFs”), options, mutual funds, variable annuity sub-accounts, and other public securities or investments. The client’s individual investment strategy is tailored to their specific needs and may include some or all of the previously mentioned securities. Each portfolio will be initially designed to meet a particular investment goal, which we determine to be suitable to the client’s circumstances and in the client’s best interest. Each client has the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio.

### **AdvisorFX Wrap Fee Program**

In addition to Financial Professional directed asset management, we also sponsor the AdvisorFX wrap fee program. AdvisorFX is a Unified Managed Account (“UMA”) platform that utilizes the services of outside, Independent Money Managers (“Strategist”) to manage account sleeves of ETFs, individual stocks or bonds, and cash or cash equivalents. Each Strategist is a registered investment advisor not otherwise affiliated with

SOSI. SOSI will work with each Strategist to design an investment portfolio and provide ongoing asset management services on a fee-only basis for a percentage of assets.

Based on investment objectives, financial and tax status, risk tolerance and time horizon information you provide to us, your Financial Professional will assist you in choosing an appropriate Model(s). We usually do not allow clients to impose restrictions on investing in certain securities or types of securities due to the level of difficulty this would entail in managing their account. In the rare instance that we would allow restrictions it is important to understand that any restrictions on management of an account imposed by you can cause the Model to deviate from the Model construction decisions made by the Model Manager. As further described in the AdvisorFX Wrap Fee Program Brochure, we receive a portion of the wrap fee for our services.

### **Financial Planning and Consultations**

We provide a variety of financial planning and consultation services to individuals, families and other clients regarding the management of their financial resources based upon an analysis of client's current situation, goals, and objectives. Generally, such financial planning services will involve preparing a financial plan or rendering a financial consultation for clients based on the client's financial goals and objectives. This planning or consulting may encompass one or more of the following areas: Investment Planning, Retirement Planning, Estate Planning, Charitable Planning, Education Planning, Corporate and Personal Tax Planning, Cost Segregation Study, Corporate Structure, Real Estate Analysis, Mortgage/Debt Analysis, Insurance Analysis, Lines of Credit Evaluation, Business Asset Allocation Analysis, Portfolio Risk Analysis and Personal Financial Planning.

For written financial planning engagements, we provide our clients with a written summary of their financial situation, observations, and recommendations. For financial consulting engagements, we usually do not provide our clients with a written summary of our observations and recommendations as the process is less formal than our planning service. Plans or consultations are typically completed within six (6) months of the client signing a contract with us, assuming that all the information and documents we request from the client are provided to us promptly. Implementation of the recommendations will be at the discretion of the client.

### **Referrals to Third Party Money Managers**

We may have arrangements with unrelated third parties to provide certain services regarding Client accounts. These services may include, but are not limited to the following: research, due diligence, reporting, portfolio analysis, portfolio management, and back-office administration. The unrelated third parties will not have any direct contact with our clients, nor will the unrelated third parties enter into any advisory contracts directly with Advisor clients. The unrelated third parties will provide services to us, who in turn, is ultimately responsible for Client account.

In order to assist clients in the selection of a third-party money manager, we typically gather information from the client about their financial situation, investment objectives, and reasonable restrictions they can impose on the management of the account, which are often very limited. It is important to note that we do not offer advice on any specific securities or other investments in connection with this service. Investment advice and trading of securities is only offered by or through the third-party money managers to clients.

## **Item 5 – Fees and Compensation**

### **Financial Professional Directed Asset Management**

Fees are billed on a pro-rata annualized basis quarterly or monthly in arrears or in advance based on the value of your account on the last day of the previous quarter or monthly. Fees are calculated based on actual number of days in a month or quarter, and actual number of days per year. The fee amount and calculation method will be fully disclosed on Schedule A of your Asset Management Agreement and are comprised of the Advisor Fee and the Platform Fee.

If fees are billed in advance and you close or transfer your account before the end of the applicable billing period, unearned fees of \$1.00 or more will be refunded to you either through a deposit to your account or by check to the most recent address of record that you provided to SOSI.

Your Financial Professional determines the Advisor Fee to charge based on factors such as total amount of assets involved in the relationship, the complexity of the services, and the number and range of supplementary advisory and client-related services. The Advisor Fee is negotiable between you and your Financial Professional. The actual fee rates paid by you will be set forth in Schedule A of the Agreement. You should consider the level and complexity of the consulting and/or advisory services to be provided when negotiating the Advisor Fee with your Financial Professional.

For clients that choose to have their account value combined with the account value of another client or account, (“Household”), for the purpose of receiving a lower fee via a tier or breakpoint billing structure, there can be certain instances where their account number and account values will be viewable to each party in the household. Fees charged for householded accounts will be less than Wrap Fees when accounts are billed individually.

The Fee is deducted from the client’s account when due. SOSI will liquidate money market shares to pay the fees and, if insufficient money market shares or cash are available, other investments will be liquidated to pay the fees. The investment(s) to be liquidated will be selected at random by your Financial Professional or SOSI. Authorization for the automatic deduction of fees from your account(s) is contained in the Agreement. At any time, we reserve the right to liquidate a portion of all of the other assets in any AdvisorFX account to cover the applicable minimum balance, thereby incurring additional charges.

Fees are typically deducted directly from your account. However, you can also decide to have the fee deducted from an alternate account. The account used for debiting generally must be a non-qualified account on a platform approved for fee-debiting. To arrange this, you must provide the custodian with written authorization to have fees deducted from your account and paid to us through the proper Agreement. The custodian sends statements, at least quarterly, showing all disbursements for the account, including the amount of the Account Fee, if deducted directly from the account. Fee deduction will be made by the qualified custodian holding your funds and securities. Further, the qualified custodian agrees to deliver a monthly or quarterly account statement directly to you (never through SOSI) showing all disbursements from the account. You are encouraged to review all account statements for accuracy. SOSI will form a reasonable belief that such statements are delivered to you. You can terminate authorization for automatic deduction of

the fee by notifying your Financial Professional in writing. In turn, your Financial Professional will notify the SOSI home office promptly and your account will be closed.

The Advisor fee is negotiable between you and your Financial Professional and is based on a percentage of the assets in your account. The Advisor Fee may be a flat annual percentage based on the amount of assets in your account(s), or may be a fee schedule that varies based on the amount of assets in your account(s). The maximum Advisor Fee is 2% of the assets in your account(s). A fee schedule that varies based on the amount of assets in your account(s) may be either Linear or Tiered.

- Tiered Fee Schedule - With a tiered fee schedule, different asset levels are assessed different fees based on the size of the accounts.
- Linear Fee Schedule - With a linear fee schedule, breakpoints will be assessed from dollar 1 to your current asset level.

All things being equal, if your account meets the breakpoints of a fee schedule, you will pay less with a Linear fee schedule than a Tiered fee schedule of a flat annual fee.

In addition to the Advisor Fee, SOSI charges a Platform Fee that is comprised of two components and will be fully disclosed in your Asset Management Agreement.

1. A \$40.00 per year per account (billed pro-rata based on the frequency of your fee schedule); and
2. An asset based Platform Fee between .08 – .15%.

The Platform fee covers access to account data in Orion, performance reporting, account aggregation, portfolio management, reporting, billing, invoicing, client portal, and a financial planning portal. The Platform Fee is negotiable between SOSI and your Financial Professional; any negotiated platform fee differential will apply to all accounts managed by the Financial Professional. The Platform Fee is not negotiable between you and your Financial Professional or between you and SOSI. Some Financial Professionals may choose to pay the Platform Fee on your behalf, and some Financial Professionals have negotiated for no Platform Fee. The Platform Fee can be increased in the future upon written notice from us to you 30 days prior to the first billing period in which the new calculation will be applied.

### AdvisorFX Wrap Fee Program

Accounts participating in AdvisorFX will generally be charged an asset-based fee (“Wrap Fee”) in arrears on a quarterly basis. The Wrap Fee will be calculated based on the ending account balance as of the prior quarter end. The Wrap Fee includes the Platform fee, Strategist Fee, and the fee payable to your Financial Professional (“Advisor Fee”) and includes both custody and trading costs. The maximum annual Wrap Fee is outlined in the table below.

Program	Platform Fee	Strategist Fee	Maximum Advisor Fee	Maximum Wrap Fee	Per Account Fee
AdvisorFX	0.20%	0.00% - 0.80%	1.50%	1.70% - 2.50%	\$0

For more information about AdvisorFX fees and expenses, please refer to the AdvisorFX Wrap Fee Program Brochure.

### **Financial Planning and Consultations**

We charge on a monthly, hourly or flat fee basis for financial planning and consultation services. The total estimated fee, as well as the ultimate fee that we charge you, is based on the scope and complexity of our engagement with you. Our maximum fees for this service are below and may be paid by check, credit card, or ACH.

- \$250 per month;
- \$250 per hour; or
- \$25,000 flat fee.

We typically require a retainer of fifty-percent (50%) of the ultimate financial planning or consultation fee with the remainder of the fee directly billed to you and due to us within thirty (30) days of your financial plan being delivered or consultation rendered to you. In all cases, we will not require a retainer exceeding \$1,200 when services cannot be rendered within 6 (six) months.

### **Referrals to Third Party Money Managers**

We are paid by third party money managers when we refer you to them and you decide to open a managed account. Third party money managers pay us a portion of the investment advisory fee that they charge you for managing your account. Fees paid to us by third party money manager are generally ongoing. All fees we receive from third party money managers and the written separate disclosures made to you regarding these fees comply with Rule 206(4)-3 of the Investment Advisers Act of 1940. The separate written disclosures you need to be provided with include a copy of the third-party money manager's Form ADV Part 2, all relevant Brochures, a Solicitation Disclosure Statement detailing the exact fees we are paid and a copy of the third-party money manager's privacy policy. The third-party money managers we recommend will not directly charge you a higher fee than they would have charged without us introducing you to them.

### **General Information Concerning Fees and Other Client Charges**

1. **Custodian Charges:** Our Fee does not include miscellaneous and ancillary fees and charges assessed by the custodian. Such charges may include, but are not limited to, wiring fees, dealer mark-ups/mark-downs or dealer spreads, electronic fund and wire transfers, SEC fees, trade-away fees, alternative investment custody fees, debit balance or related margin interest, foreign exchange fees, odd-lot differentials, IRA fees, transfer taxes, exchange fees, non-sufficient funds fees, transfer fees, or other fees or taxes as required by law.
2. **ETFs:** Our Fee does not include the expenses of the individual ETFs. Each of the ETFs bears its own operating expenses, including compensation to the fund or sub-account advisor. By investing in ETFs, you indirectly bear the operating expenses of the ETFs because these expenses will affect the share price of an ETF. Fund expenses vary from fund to fund according to the actual amounts of expenses incurred and fluctuations in the fund's daily net assets. Further information regarding charges and fees assessed by an ETF are available in the prospectus and statement of additional information, which you should read carefully.

To the extent that cash used for investment comes from redemptions of a client's mutual fund or other investments outside of the Program, there may be tax consequences or additional cost from sales charges previously paid and redemption fees incurred. Such redemption fees would be in addition to the Wrap Fee on those assets.

3. Mutual Funds: Your mutual fund investments may be subject to early redemption fees, 12b-1 fees and mutual fund management fees as well as other mutual fund expenses. These fees are in addition to the fees and expenses referenced above. Please review the mutual fund prospectus for full details. Silver Oak Securities, Inc. and your Advisory Representative do not retain 12b-1 fees paid by mutual funds for advisory accounts.

Mutual funds generally offer multiple share classes available for investment based upon certain eligibility and/or purchase requirements. For instance, in addition to the more commonly offered retail share classes (typically, Class A, B and C shares), mutual funds may also offer institutional shares classes and other share classes that are specifically designed for purchase in an account enrolled in fee-based investment advisory programs. Institutional share classes or classes of shares designed for purchase in an investment advisory program usually have no 12 b-1 fees and have lower internal expenses than other share classes.

Retail share classes are available for no-transaction fee ("NTF") and are either no-load or load-waived; meaning, there are no up-front charges to purchase these share classes. Institutional share classes typically bear an up-front charge to purchase. In all cases, SOSI and our Financial Professionals will recommend the share class that we reasonably believe is the most cost effective for you at the time of purchase. There are multiple factors that impact which share class we believe will be the most cost effective, including:

- Size of the purchase;
- Reasonable expectation of the number of times the position may be traded (bought or sold) during the next twelve months;
- Cost to purchase the Institutional share class; and
- Difference in the cost of the internal expenses of the NTF share class and the Institutional share class.

As discussed above, we will seek to recommend the most cost-effective share class at the time of purchase. However, there is no guarantee that, in hindsight, we will always have selected the most cost-effective share class. This may be due to multiple factors, including, but not limited to the following:

- Fewer trades than reasonably expected at the time of purchase;
- More trades than reasonable expected at the time of purchase;
- Changes in cost to purchase the Institutional share class; and
- Changes in the internal expenses of available share classes.

4. Variable annuity companies generally impose internal fees and expenses on your variable annuity investment, including contingent deferred sales charges and early redemption fees. In addition, variable annuity companies generally impose mortality charges annually. These fees are in addition to the fees and

expenses referenced above. Complete details of such internal expenses are specified and disclosed in each variable annuity company's prospectus. Please review the Variable Annuity prospectus for full details.

5. Retirement Accounts: There are additional fees relating to IRA and Qualified Retirement Plan accounts such as maintenance and termination fees. You will find these fees disclosed in the account application paperwork provided to you associated with these accounts.
6. Most Financial Professionals are also registered representatives of SOSI in its Broker-Dealer capacity. As registered representatives of SOSI, we share a portion of payments received the sale of commission products with these Financial Professionals only when acting as broker-dealer representatives. This arrangement creates a conflict of interest whereby the Financial Professional has an incentive to recommend implementing recommendations made through SOSI. Please be aware that you are under no obligation to purchase products or services recommended by us or members of our Firm in connection with providing you with any advisory service that we offer. If you decide to implement a portion of the recommendations through a commission account at SOSI, you will pay commissions to us for the commission account and, separately, fees to SOSI for the advisory account. The fee that you pay to us will not be reduced if fees are paid to us for other services. To mitigate these conflicts of interest, we have policies and procedures in place to monitor whether any program in which your investments or any security, or other investment services through us, is in your best interest.

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

We do not charge performance fees to our clients.

#### **Item 7 – Types of Clients and Account Requirements**

Our Financial Professionals may provide advisory services to the following:

- Individuals
- High net worth individuals
- Pension and profit sharing plans
- Corporations
- Trusts
- Estates or charitable organizations
- Other business entities

We do not require a minimum account balance for our asset management service and we do not require a minimum fee for financial planning and consulting services.

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

Investing in securities involves risk of loss that you should be prepared to bear. Risks associated with the strategies described below include:

- Capital risk – The risk that your investments may lose value.
- Currency risk – If the assets you invest in are held in another currency there is a risk that currency movements alone may affect the value.
- Financial risk – The risk that there may be a disruption in the internal financial affairs of the investment, thereby causing a loss of value.
- Market risk – The risk that the value of a security or portfolio will decrease due to the change in value of the overall market.
- Credit risk – The risk of loss arising from a borrower who does not make payments as promised.
- Interest rate risk – The risk that an interest-bearing asset, such as a bond, will lose value due to variability of interest rates. In general, as rates rise, the price of a fixed rate bond will fall, and vice versa.

Your Financial Professional may use one or more of the following methods of analysis in formulating investment advice or managing assets:

- Fundamental – Analyzes individual investments in relation to expectations regarding the market and international and national economic indicators, such as GDP growth rates, inflation, interest rates, exchange rates, productivity, and energy prices.
- Technical – Analyzes past market data trends, primarily price and volume, in an attempt to forecast the direction of securities prices.
- Cyclical – Analyzes past economic and market cycles in an attempt to forecast the direction of securities prices.
- Computer model – Software programs utilizing statistics and probability, calculus, and econometrics to produce trading signals for the purpose of timing portfolio re-allocations.

Your Financial Professional may use one or more of the following investment strategies in managing your assets:

- Buy and hold (passive management) - A long term investment strategy based on the view that in the long run financial markets give a good rate of return despite periods of volatility or decline. This viewpoint also holds that short-term market timing, i.e. the concept that one can enter the market on the lows and sell on the highs, does not work so it is better to simply buy and hold.
- Market timing (active management) - A strategy of making buy or sell decisions of financial assets by attempting to predict future market price movements. The prediction may be based on an outlook of market or economic conditions resulting from technical or fundamental analysis. This is an investment strategy based on the outlook for an aggregate market, rather than for a particular financial asset.
- Momentum investing (active management) – A strategy of buying securities that have had high returns over a specific historical time period (ex. the twelve months) and selling those that have had poor returns over the same period.
- Strategic asset allocation - A strategy that involves the establishment of a long-term target allocation in major asset classes such as stocks, bonds, and cash based on portfolio objective, risk tolerance, and time horizon.

- Tactical asset allocation – A strategy that attempts to overweight those asset classes that are expected to outperform on a relative basis and underweight those expected to underperform. Financial and economic variables (“signals”) are used to predict performance and assign relative short-term asset-class weightings.

The strategies described above may utilize a combination of long-term purchases (securities held at least a year), short term purchases (securities sold within a year), trading (securities sold within 30 days), or options contracts (non- discretionary only and limited to purchases of put options where the account is long the underlying security & writing covered calls). Frequent trading in your account can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

Investment strategies and recommendations may be based upon consideration of any of the following:

1. Diversification – for the purpose of balancing risk while maintaining the possibility of gain; or,
2. Risk Factors – including the risk of capital loss (market risk) and the risk of loss of purchasing power (inflation risk), and the client’s understanding of, and financial ability to bear, such risks; or,
3. Asset Balance – taking into consideration short and long-term liquidity needs, blending of lesser and greater risk approaches, and combining income, growth, and safety concepts; or,
4. Discipline – emphasizing commitment and follow through over a reasonable period of time in order to permit the investment plan or recommendations to achieve the intended/pursued result; or,
5. Income Tax Considerations, but these should not replace the economic benefits as the principal determinant of investment decisions.

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

1. On August 3, 2016, The Connecticut Banking Commissioner entered a consent order with respect to Silver Oak Securities, Inc., a broker dealer and investment adviser with its main office, at that time, at 3339 North Highland, Jackson, TN 38305. The firm also maintained a branch office at 100 Great Meadow Road, Ste. 502, Wethersfield, CT 06109. Sharing office space at the Wethersfield location is JB Capital LLC, headed by Joel Mark Johnson. Registered agents of Silver Oak Securities, Inc. conducted investment-related activities under the name of “Johnson Brunetti.” The consent order was the outgrowth of an examination and investigation that cited certain firm irregularities and deficiencies involving 1) Recordkeeping relating to the sale of alternative investments; 2) The firm’s supervisory system 3) The use of signature stamps by Silver Oak, Inc. and its agents; and 4) the firm’s employment of an unregistered investment adviser agent. The alternative investment recordkeeping issue prompted division concerns regarding concentration levels and product suitability.

The consent order fined the firm \$35,000 and directed it to cease and desist from regulatory violations. In furtherance of its desire to settle the matter informally with the department, the firm represented and undertook that (1) the firm had implemented supervisory and compliance procedures responsive to the issues raised in the consent order; (2) securities personnel at the Wethersfield branch would be

placed on heightened supervision for twelve months; (3) within ninety days, the Wethersfield branch would hire a Series 24 Principal to review and approve all new accounts at the branch; (4) within ninety days the firm would hire an independent consultant to perform a compliance review of the Wethersfield branch's securities and advisory operations; (5) within 120 days, the firm would hold a branch compliance conference for Wethersfield branch securities personnel; and (6) for two years, the firm would conduct annual audits of the Wethersfield branch.

2. SOSI consented and paid a monetary fine in the amount of 1,500.00 on July 25, 2016 to the State of Nevada, Office of the Secretary of State, Securities Division. The allegations made by the state were failure to comply with NAC 90.392 which requires the licensing of a branch office in the state of Nevada for the period of September 13, 2011 through January 4, 2013.
3. On December 5, 2013, Silver Oak Securities Inc. as a broker dealer signed an Acceptance, Waiver & Consent (AWC) and received a censure and fine in the amount of \$10,000 by Financial Industry Regulatory Authority (FINRA) for allegations of violation of FINRA Rule 2010 and NASD Rule 3010, regarding the sale of non-traditional ETFs by a single registered representative. FINRA stated that Silver Oak did not investigate the characteristics and risk of such products before allowing its registered representative to recommend them to customers or provide its registered representative any training.

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

#### **Broker-Dealer**

Silver Oak Securities, Inc. has dual registration as a registered investment adviser and a registered broker dealer with the Securities and Exchange Commission. Our firm's management persons and most of our associated Financial Professionals are registered representatives of Silver Oak Securities, Inc., a broker-dealer and member FINRA/SIPC. In their capacity as registered representatives, Financial Professionals may offer securities and receive normal and customary commissions as a result of securities transactions. This presents a conflict of interest to the extent that the Financial Professional recommend that a client invest in a security which results in a commission being paid to them.

#### **Insurance**

Mr. Billy Hopkins has ownership interest in an insurance company. Our management persons and most of our associated Financial Professionals are also licensed insurance agents/brokers with various insurance companies/agencies, and in such capacity, may recommend, on a fully disclosed basis, the purchase of insurance related products. This presents a conflict of interest to the extent that the Financial Professional recommend that a client purchase an insurance product which results in a commission being paid to them.

To mitigate these conflicts of interest, we have policies and procedures in place to monitor whether any securities or advisory recommendations are in your best interest. All such transactions are effected in compliance with the Advisers Act and other applicable law, including our duty to seek best execution.

## **Other Business**

Since Financial Professionals are independent contractors of SOSI, they have the ability to engage in certain other business activities separate from the activities they conduct through us. Some of our Financial Professionals are permitted to be employed by, or own, a financial services business entity, including an investment adviser business, separate from SOSI. Such activities may also include tax preparation, insurance, and/or real estate services. When your Financial Professional is actively engaged in outside business activities (other than the provision of brokerage and advisory services through us), they could receive greater compensation through the outside business activities. Such activities, and related conflicts of interest will be disclosed in your Financial Professional's Form ADV Part 2B. Your Financial Professional is required to provide their Form ADV Part 2B prior to, or at the time of, your establishing an advisory relationship with us.

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

We recognize that the personal investment transactions of members and employees of our firm demand the application of a high Code of Ethics and require that all such transactions be carried out in a way that does not endanger the interest of any client. At the same time, we believe that if investment goals are similar for clients and for members and employees of our firm, it is logical and even desirable that there be common ownership of some securities. Therefore, in order to prevent conflicts of interest, we have in place a set of procedures with respect to transactions effected by our members, officers and employees for their personal accounts. In order to monitor compliance with our personal trading policy, we have a quarterly securities transaction reporting system for all of our associates.

Furthermore, our firm has established a Code of Ethics which applies to all of our associated persons. An investment adviser is considered a fiduciary. As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. We have a fiduciary duty to all clients. Our fiduciary duty is considered the core underlying principle for our Code of Ethics which also includes Insider Trading and Personal Securities Transactions Policies and Procedures. We require all of our supervised persons to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Upon employment or affiliation and at least annually thereafter, all supervised persons will sign an acknowledgement that they have read, understand, and agree to comply with our Code of Ethics. Our firm and supervised persons must conduct business in an honest, ethical, and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. This disclosure is provided to give all clients a summary of our Code of Ethics. However, if a client or a potential client wishes to review our Code of Ethics in its entirety, a copy will be provided promptly upon request.

Related persons of our firm may buy or sell securities and other investments that are also recommended to clients. In order to minimize this conflict of interest, our related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics, a copy of which is available upon request.

Related persons of our firm may buy or sell securities for themselves at or about the same time they buy or sell the same securities for client accounts. In order to minimize this conflict of interest, our related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics, a copy of which

is available upon request. If related persons' accounts are included in a block trade, our related persons will always trade personal accounts last.

### **Item 12 – Brokerage Practices**

SOSI is a multi-custodial investment adviser, which means we offer both TD Ameritrade Institutional, a division of TD Ameritrade, Inc. ("TD Ameritrade") and Schwab Advisor Services, a division of Charles Schwab & Co., Inc. ("Schwab") as custodians for client accounts. Generally, each Financial Professional chooses to use one of the custodians exclusively to execute transactions and custody client funds and securities. We do not require Financial Professionals to utilize a particular custodian over another, and we are not affiliated, or under common control, with these custodians.

Our decision to approve an institutional RIA platform for use by Financial Professionals is based on numerous factors. Institutional trading and custody services are typically not available to the same providers' retail investors. Institutional services generally are available to investment advisers on an unsolicited basis at no charge to them. Institutional services include brokerage, custody, research and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For client accounts maintained on an institutional platform, the institutional platform does not charge separately for custody of an account but is compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through or that settle into platform accounts.

When evaluating RIA platforms, SOSI considers other products and services that assist us and our Financial Professionals in managing and administering client accounts. While these products and services benefit us and Financial Professionals, they do not necessarily benefit every client. Services and products that we actively consider and evaluate include software and other technology that provide access to client account data, such as trade confirmation and account statements; facilitate trade execution and allocation of aggregated trade orders for multiple client accounts; provide research, pricing information and other market data; facilitate payment of fees from its clients' account(s); assist with back-office functions; and record-keeping and client reporting. Many of these services generally are used to service all or a substantial number of SOSI accounts, including accounts not maintained on the institutional RIA platform that provides the services. We will also evaluate services available that are intended to help SOSI and Financial Professionals manage and further develop its business enterprise. These services include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing. In addition, institutional RIA platforms make available, arrange and/or pay for some of these types of services rendered to SOSI and its Financial Professionals by an independent third party providing these services to us. While as a fiduciary, we endeavor to act in our clients' best interests, Financial Professionals' recommendations or requirements that clients maintain their assets in account(s) at a particular institutional RIA platform is based in part on the benefit to the Financial Professional of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by the institutional RIA platform, which creates a potential conflict of interest.

The benefits received by us or our Financial Professionals through participation in programs available through custodians do not depend on the amount of brokerage transactions directed to the Custodian(s). You should be aware, however, that the receipt of economic benefits by SOSI or our Financial Professionals in and of itself creates a conflict of interest that will influence choice of Custodian. SOSI receives no products, research, or services in connection with client securities transactions (i.e., soft dollars or soft dollar benefits) that we consider a primary factor in utilizing a particular broker-dealer. However, under its custodian agreements, SOSI receives certain services and products, such as fundamental research reports, technical and portfolio analysis, pricing services, access to trading services, economic forecasting and general market information, historical database information and computer software that assists Financial Professionals in their investment management process.

### **Best Execution**

As a fiduciary, SOSI owes a fiduciary duty to its clients to obtain best execution of their transactions. That duty puts forth that an investment adviser generally must execute securities transactions in such a manner that the total cost or proceeds in each transaction is the most favorable under the circumstances. However, clients must understand that best execution does not necessarily mean the lowest available price. Instead, the totality of the arrangement and services provided by a broker-dealer must be examined to determine a qualitative measure of best execution. Based on these principles, commission and fee structures of various broker-dealers are periodically reviewed by SOSI management in order to evaluate the execution services provided by the unaffiliated broker-dealers and custodians used by SOSI. Accordingly, while SOSI does consider competitive rates, it does not necessarily obtain the lowest possible commission rates for client account transactions. Therefore, the overall services provided by SOSI and all of the unaffiliated broker-dealers and custodians are evaluated to determine best execution.

Clients should consider that in light of our limited approved trading platforms, and the fact that only some of the approved trading platforms accommodate the investment strategy recommended by the client's Financial Professional, that Financial Professionals are limited in their ability to obtain the best execution price and lowest execution costs for each transaction or the product with the lowest internal expenses. Not all investment advisers restrict or limit the broker-dealers their clients can use. Some investment advisers permit their clients to select any broker-dealer of the client's own choosing. Therefore, clients can pay higher commissions or trade execution charges through the trading platforms approved by SOSI than through other platforms for investment advisory accounts.

### **Trade Aggregation**

Transactions implemented by Financial Professionals for client accounts are generally affected independently, unless a Financial Professional decides to purchase or sell the same securities for several clients at approximately the same time. This process is referred to as aggregating orders, batch trading or block trading and is used by a Financial Professional when the Financial Professional believes such action proves advantageous to clients. When Financial Professionals aggregate client orders, the allocation of securities among client accounts will be done on a fair and equitable basis. Typically, the process of aggregating client orders is done in order to achieve better execution or to allocate orders among clients on a more equitable basis by avoiding differences in prices that might be obtained when orders are placed independently. While there is more than one process for allocating, generally the transactions will be averaged as to price and will be allocated among the Financial Professional's clients in proportion to the purchase and sale orders placed

for each client account on any given day. It should be noted, we do not allow Financial Professionals to receive any additional compensation or remuneration as a result of aggregation.

Because we do not require Financial Professionals to aggregate trades, not all trades are aggregated even when there is an opportunity to do so. When trades are not aggregated, clients will not always see the effects of lower commission per share costs that often occurs as a result of aggregating trades and as a result, pay a higher transaction cost than could be received elsewhere. Finally, it should be noted that we do not aggregate mutual fund transactions.

### **Handling of Trade Errors**

It is our policy to ensure trading errors are handled and corrected in a timely manner in the best interests of the client affected by the error. Specifically, when we or a Financial Professional causes a trade error to occur in a client account that results in a loss, SOSI works with the relevant broker-dealer or custodian in order to reimburse any costs paid by the client, and make whole the client transaction as it should have originally taken place/or not taken place. If the trade error results in a gain we will keep that gain to offset future losses. The retained gain is not shared with the Financial Professional or account owners.

All trade errors should be corrected within a reasonable period of time following discovery of the error. SOSI will not use commissions from client accounts to correct trade errors. It is the strict policy of SOSI that Financial Professionals are not permitted to make payments to clients or to client accounts.

### **Special Considerations for ERISA Clients**

A retirement or ERISA plan client may direct all or part of portfolio transactions for its account through a specific broker or dealer in order to obtain goods or services on behalf of the plan. Such direction is permitted provided that the goods and services provided are reasonable expenses of the plan incurred in the ordinary course of its business for which it otherwise would be obligated and empowered to pay. ERISA prohibits directed brokerage arrangements when the goods or services purchased are not for the exclusive benefit of the plan. Consequently, we will request that plan sponsors who direct plan brokerage provide us with a letter documenting that this arrangement will be for the exclusive benefit of the plan.

## **Item 13 – Review of Accounts or Financial Plans**

Financial Professionals are in charge of providing all investment advice and conducting ongoing reviews of all accounts for their respective client accounts. Financial Professionals are also in charge of selecting and/or recommending third party investment advisers to their respective clients. Therefore, you will need to contact your Financial Professional for the most current information and status of your accounts.

For managed accounts, reviews are provided on an ongoing basis, typically based on a schedule agreed upon by you and your Financial Professional. We do not impose a specific review schedule that all Financial Professionals must follow. Generally, the calendar is the main triggering factor for client reviews. However, more frequent reviews can be provided to any account depending on, among other issues, changes to your financial situation, personal situation or changes in market conditions. Clients are expected to notify us of any

changes in their financial situation, investment objectives, or account restrictions that could affect their account.

Your investment advisory accounts are reviewed by the Financial Professional, or by SOSI for AdvisorFX accounts, to analyze if the account is being managed in accordance with the client's chosen investment objective, that the account is properly balanced, if it is being managed according to a specific asset allocation model, and to verify the accuracy of account holdings and fee deductions. For accounts managed by third party investment advisers, the third-party investment adviser is responsible for managing the account and will conduct reviews. The Financial Professional will monitor the performance of the third-party investment advisor.

Although not every Financial Professional provides an annual financial review to every client, SOSI encourages you to request such a review to discuss with your Financial Professional such things as account performance, changes in your investment objectives, goals and financial situation, tax planning, estate planning, retirement planning and any other questions you have concerning your portfolio. If you receive only financial planning services, you are charged a separate fee for meetings with your Financial Professional. You should read carefully the agreement with SOSI to determine the amount of such separate fees, if any.

In addition to the reviews provided by the Financial Professional, the SOSI home office also reviews transaction suitability for accounts managed by Financial Professionals. We also conduct due diligence reviews of custodians and third party Investment Advisers approved for use by Financial Professionals.

Clients are provided with monthly or quarterly account statements from the qualified custodian, depending on the activity in the account. Reports include details of client holdings, asset allocation, and other transaction information. Also see "Custody" for additional information on custodians.

Financial Professionals may provide clients with additional account review reports. Comparisons to market indices and account performance may be used to evaluate account performance in connection with these review reports. We recommend comparing the account statements you receive from the independent custodian with those you receive from us. You should immediately inform us of any discrepancy noted between the custodian records and the reports you receive from us. Information in these account review reports may be provided by clients or third-parties. We do not independently verify information provided by a custodian, client or other third party, nor does SOSI guarantee the accuracy or validity of such information.

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

### **Referrals from Custodians**

Custodians discussed in Item 12 – Brokerage Practices may refer Financial Professionals to us, and these professionals may become registered Financial Professionals of our firm. These referrals from our Custodians raise potential conflicts of interest. Custodians will most likely refer Financial Professionals to us when we encourage the Financial Professionals to custody their clients' assets at the referring firm and whose client accounts are profitable to the Custodians. Consequently, in order to obtain referrals, SOSI has an incentive to recommend to clients that the assets under management be held in custody with the referring firm and to

place transactions for client accounts with that same Custodian. We do not pay referral fees to Custodians for providing us with these referrals. This arrangement does not diminish our duty to seek best execution of trades or our duty as a fiduciary to act in the client's best interest.

### **Solicitor Arrangements**

We may pay referral fees (non-commission based) to independent solicitors for the referral of their clients to our firm in accordance with Rule 206 (4)-3 of the Investment Advisers Act of 1940. Such referral fee represents a share of our investment advisory fee charged to our clients. This arrangement will not result in higher costs to you. In this regard, we maintain Solicitors Agreements in compliance with Rule 206 (4)-3 of the Investment Advisers Act of 1940 and applicable state and federal laws. All clients referred by Solicitors to our firm will be given full written disclosure describing the terms and fee arrangements between our firm and Solicitor(s). In cases where state law requires licensure of solicitors, we ensure that no solicitation fees are paid unless the solicitor is registered as an investment adviser representative of our firm. If we are paying solicitation fees to another registered investment adviser, the licensure of individuals is the other firm's responsibility.

### **Other Compensation**

As discussed in Item 10 – Other Financial Industry Activities and Affiliations some Financial Professionals are (1) registered representatives of SOSI in our capacity as a broker-dealer and (2) insurance agents. In these capacities, Financial Professionals will receive commission compensation for product sales. If your Financial Professional acts in one or both of these capacities, it will be disclosed to you on the Financial Professional's Form ADV Part 2B.

### **Loans and Other Compensation to Financial Professionals**

In very limited circumstances, SOSI may provide a loan Financial Professionals at the time of the affiliation with the firm. The loan is typically used to assist with costs associated with transitioning from their prior firm to SOSI or to repay an outstanding loan with the Financial Professional's prior firm. If the amount of the loan exceeds the cost of transition, the recipient uses the remaining funds for other purposes, such as normal operational costs. Some loans are forgiven based on certain criteria such as tenure with SOSI.

The receipt of a loan presents a conflict of interest in that the Financial Professional has a financial incentive to maintain a relationship with us and to recommend SOSI to clients. However, to the extent that the Financial Professional recommends SOSI to clients, it is because they believe that it is in the client's best interest to do so based on the quality and pricing of the execution, benefits of an integrated platform for brokerage and advisory accounts, and other services provided by us. All such loans will be fully disclosed on the Financial Professional's Form ADV Part 2B until such time as the loan is repayed or fully forgiven.

Some Financial Professionals receive transition assistance which can include but is not limited to technology services, administrative support, business card and letterhead printing costs, and mailing costs. This represents a conflict of interest in that the Financial Professional has a financial incentive to affiliate with and recommend SOSI to clients.

### **Equity Investment in SOSI**

Certain Financial Professionals who are accredited investors are offered the opportunity to invest in SOSI. All shareholders are fully disclosed on SOSI's Form ADV Part 1 that can be found at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Cash/Non-Cash Compensation**

Certain product sponsors provide your Financial Professional with economic benefits as a result of your Financial Professional's recommendation or sale of the product sponsors' investments. These other products and services can benefit SOSI and/or your Financial Professional but may not benefit you. The economic benefits received can include but are not limited to, financial assistance or the sponsorship of national or regional conferences, client meetings or other events. It can also include educational sessions, marketing support, payment of travel expenses, occasional business entertainment, including meals, virtual entertainment and invitations to sporting events, including golf tournaments, educational opportunities and tools to assist your Financial Professional in providing various services to clients. These services can include but are not limited to, software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of fees from clients' accounts, and assist with back-office training and support functions, record-keeping and client reporting. Some of these services may be used to service all or some substantial number of accounts, including those that are not specifically maintained by an individual product sponsor. These services are intended to help manage and further develop the business of SOSI and your Financial Professional and can include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance and marketing. Some product sponsors may make available, arrange and/or pay vendors for these types of services or discount or waive fees it would otherwise charge. These economic benefits may be received directly by your Financial Professional or indirectly through SOSI who have entered into specific arrangements with product sponsors. A recommendation/requirement that clients maintain their assets in accounts based in part on the benefit to your Financial Professional or SOSI or the availability of some of these products and services and other arrangements and not solely on the nature, cost or quality of custody services provided create a potential conflict of interest. These economic benefits could influence your Financial Professional to recommend certain products/programs over others.

## **Item 15 – Custody**

SOSI is deemed to have custody of client funds and securities because of the advisory fee deduction authority granted by clients in the investment advisory agreement and in certain asset movement authorizations granted to SOSI and our Financial Professionals. These authorizations allow for your Financial Professional to direct the qualified custodian to transfer assets between related and unrelated accounts at the qualified custodian, as well as to transfer assets to third-parties via standing letters of authorization. In these instances, the following will occur:

- You will provide an instruction to the qualified custodian, in writing, that includes your signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed;
- You will authorize SOSI and your Financial Professional, in writing, on the qualified custodian's form to direct transfers to the third party either on a specified schedule or from time to time;

- The qualified custodian will perform appropriate verification of the instruction, such as a signature review or other method to verify your authorization, and provides a transfer of funds notice to you promptly after each transfer;
- You have the ability to terminate or change the instruction to the qualified custodian;
- Neither SOSI nor your Financial Professional has authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in your instruction;
- SOSI will maintain records showing that the third party is not a related party of the SOSI or located at the same address as SOSI or your Financial Professional; and
- The qualified custodian sends you, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

The custodian will send to you, at least quarterly, an account statement identifying the amount of funds and each security in the account at the end of period and setting forth all transactions in the account during that period including the amount of advisory fees paid directly to us. If we or your Financial Professional also send account statements to you, such notice and account statements will include a legend that recommends that you compare the statement to the account statements received from the qualified custodian. We encourage our clients to raise any questions with us about the custody, safety or security of their assets.

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

By default, our Financial Professional Directed Asset Management programs are discretionary in nature, meaning, your Financial Professional has the authority to execute transactions in your account without your prior approval. If you do not wish for your Financial Professional to have such authority, you may only grant non-discretionary authority via Schedule A of your Asset Management Agreement.

AdvisorFX is only offered on a discretionary basis, and you may not revoke such authority if you participate in AdvisorFX.

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

We do not vote on behalf of clients.

#### **Item 18 – Financial Information**

We do not allow, require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. We have no financial condition that might impair our ability to meet our contractual commitments to clients and have never been the subject of a bankruptcy proceeding.