

## Item 1 – Cover Page

# Mallery Financial LLC

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**October 21, 2023**

This Brochure provides information about the qualifications and business practices of Mallery Financial LLC (“Adviser,” “Mallery Financial,” “us,” “we,” “our”). If you have any questions about the contents of this Brochure, please contact us at (541) 687-7678 or by email at [stephen@malleryfinancial.com](mailto:stephen@malleryfinancial.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about Mallery Financial is also available at the SEC’s website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by using a unique identifying number known as a CRD number. The CRD number for Mallery Financial is 310425. The SEC’s website also provides information about any persons affiliated with Mallery Financial who are registered, or are required to be registered, as investment adviser representatives (IARs) of Mallery Financial.

Mallery Financial is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information that you may use to determine whether to hire or retain them.

## Item 2 – Material Changes

This section of the Brochure will discuss only the specific material changes that were made to the Brochure since our last annual update. We have made the following material changes to our brochure since last annual update in April 2023.

Item 5:

- We substantially revised “Asset Management and Retirement Plan Consulting Fees” to include the specific billing formulas – including definitions, explanations, and example calculations – for each of three billing methods currently used for Mallery Financial client Accounts.

Item 10:

- We added language to this section describing the conflict of interest that exists when an associated person of Mallery Financial recommends and sells insurance products through the outside business activity of insurance brokering.

Items 5 and 12:

- Following the acquisition of TD Ameritrade by Charles Schwab & Co., Inc. (“Schwab”), and the recent conversion of all TD Ameritrade accounts to the Schwab Advisor Services platform, we removed all references to TD Ameritrade and added updates as needed about Schwab and our relationship with the custodian.

We will provide other ongoing disclosure information about material changes as they occur. We will also provide you with information on how to obtain the complete brochure. Currently, our Brochure may be requested at any time, without charge, by contacting Stephen Mallery at (541) 687-7678 or [stephen@malleryfinancial.com](mailto:stephen@malleryfinancial.com).

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## Item 4 – Advisory Business Introduction

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### **Our Advisory Business**

Mallery Financial is a registered investment adviser with the State of Oregon. The Adviser was founded in 2020 by its principal owner and Chief Compliance Officer (“CCO”) Stephen Mallery.

### **Our Services**

Mallery Financial offers financial planning, investment management, and insurance consulting services to individuals, businesses, retirement plans and their sponsors, non-profit organizations, trusts, and estates. Our overall philosophy is rooted in thoroughness of understanding (of you, your financial needs and objectives, the overall context of your financial circumstances, and of our recommendations) and in delivering as much clarity as possible in our research, analysis, advice, and recommendations. We believe the best decisions are made 1) in the presence of full and complete information about factors relevant to the situation/decision, and 2) when you are empowered with information and context, including risks, limitations, and other potential downsides as well as strategic opportunities and personalized solutions. Our goal is to help you move forward with confidence in a well-grounded long-term plan.

### **Fiduciary Standard of Care**

Mallery Financial is committed to the fiduciary standard of care. The fiduciary standard of care means that we are legally as well as ethically obligated to put your interests first, to pledge our primary loyalty to you, to make recommendations without regard to compensation to us, and to avoid conflicts of interest and disclose and minimize them when they exist.

### **Asset Management**

#### ***Fiduciary Investment Process***

Mallery Financial follows a fiduciary process rooted in knowing the client, making personalized recommendations specific to the client’s needs and best interests, and managing an objective, consistent process for investment selection, portfolio construction, implementation, monitoring, reporting, and ongoing servicing of client Account(s).

#### ***Understanding You***

We will meet with you, collect information, and discuss your financial circumstances, investment objectives, risk tolerance, time horizon, liquidity needs, and other factors that may be relevant to your situation. In managing your Account(s) we will rely on the personal and investment information you provide to us.

#### ***Making Recommendations***

Based on the information you share with us, we will recommend an investment strategy and structure designed to meet the needs of your investment objectives, time horizon, risk tolerance, liquidity considerations, and exclusion/inclusion requests.

Our investment recommendations will include either a tailored portfolio, one or more of our model portfolios, a strategy offered by a third-party money manager, or a combination thereof (more information on available investment strategies is provided below).

### ***Implementation***

The specifics of the agreed-upon investment strategy will be documented in our Investment Advisory Agreement before implementation.

Our goal is to manage a “concierge” type of experience for new-account implementation. We prepare new-account paperwork for your signature, ensure the account is properly opened and funded, set up your client portal for account monitoring and reporting, and ensure you can successfully log in.

In some situations, securities from outside accounts may be transferred into your advisory Account; however, we may recommend that you sell a particular security if we believe it is not suitable for the recommended investment strategy. Additionally, trading may be required to meet asset allocation targets, either initially, after substantial cash deposits, and/or after a request for a withdrawal and/or liquidation of a position.

### ***Monitoring and Reporting***

We monitor client accounts on a periodic basis to help ensure that they continue to conform to your objectives, risk tolerance, and other terms documented in our current Investment Advisory Agreement with you.

You will be notified of any purchases or sales through trade confirmations and statements that are provided by the Custodian. These statements list the total value of the Account, itemize all transaction activity, and list the types, amounts, and total value of securities held. You will at all times maintain full and complete ownership of all assets held in your Account, including the right to withdraw securities or cash, vote proxies, and receive transaction confirmations.

We will also provide you with quarterly performance statements. These statements give you additional feedback about performance, asset allocation, and inflows and outflows. From time to time, we may also use the delivery of these statements or other means to educate you about our long-term investment philosophy or to describe any changes in current strategy and asset allocation along with the reasons for making these changes.

### ***Tailored Asset Management Services***

Custom-tailored portfolios span two major categories.

#### *Security Exclusion/Inclusion*

One category of custom-tailored portfolios is where you request us to restrict or include specific securities or security types from your Account – for example, individual companies, asset classes, industry sectors, or other restrictions. Such requests typically are made in the context of socially responsible investing (SRI); environmental, social, and governance (ESG) criteria; religious beliefs; or other values-based desires or beliefs. Mallery Financial supports values-based investing and will work diligently to tailor your portfolio to your requests to the greatest extent possible.

#### *Special-Purpose Accounts*

A second category of custom-tailored portfolios includes legacy stock and/or bond accounts, work-out strategies for stocks with high embedded unrealized gains, focused dividend strategies, insurance-backed investment strategies, and other account types and strategies that are unique and specific to

your circumstances. Mallery Financial will accommodate special-purpose accounts to the greatest extent possible.

These categories are not mutually exclusive and may overlap.

In all cases, our recommendations and ongoing management are based upon your investment goals, objectives, risk tolerance, time horizon, liquidity needs, personal and values-based preferences, and other factors relevant to your situation. We will monitor the Account, trade as necessary, and communicate regularly with you.

### ***Model Portfolios***

Based on information provided by you, we may recommend one or more model portfolios to meet your investment needs based on your objectives and tolerance for risk. Model portfolios may be designed by Mallery Financial or by third-party managers.

Mallery Financial model portfolios embody our research and current thinking on market opportunities, risk management, and best execution. They span the full range of growth/risk investment objectives from very conservative to aggressive growth and every decile in between. Further information on Mallery Financial models is presented below under Item 8 – Methods of Analysis, Investment Strategies, and Risk of Loss.

We work with third parties to provide access to model portfolios dedicated to socially responsible investing (SRI) and investing in alignment with religious values, as well as to traditional investment approaches.

### ***Third-Party Money Managers***

Based on information you provide to us, we may recommend that you use the services of third-party managers to manage all, or a portion, of your investment portfolio. We have access to third-party managers through the investment platforms we use for client accounts or through our own engagements.

Third-party manager programs offered through Mallery Financial allow you to access specialized portfolio management services that typically otherwise require higher minimum account sizes if pursued outside of the program we offer. The third-party managers we currently have relationships with offer unique capabilities for tailored account management services, including the ability to personalize portfolios through highly specific, client-centered values-based security screening, artificial-intelligence-assisted dynamic trading, and tax management.

The money managers we select or recommend will have discretion to determine the securities they buy and sell within the Account, subject to reasonable restrictions imposed by you. You will be given the Form ADV Part 2 brochure for any third-party manager we select or recommend, and we encourage you to read it carefully for details concerning their investment methods, fees, risk, conflicts of interest, and other details. Item 5 of this brochure provides further details relating to third-party manager fees.

When we refer the management of your Account(s) to a third-party money manager, we will provide ongoing monitoring of the manager managing your assets and provide you with feedback, guidance, and performance reporting. We will also assume discretionary authority to hire and fire the third-party money

manager and/or reallocate your assets to other third-party money managers where we deem such action appropriate.

Mallery Financial (not the third-party manager) is responsible for ensuring our clients' information remains current and accurate, including suitability and investment objectives.

### ***Interval Funds***

Selected interval funds are available through Mallery Financial advisory accounts. Interval funds are closed-end funds that allow investors to diversify their portfolios and to invest in alternative products that would normally have limited availability to retail investors. Alternatives are defined as anything that is neither a stock, nor a bond, nor cash; for example, real estate, private equity, and direct credit, among others. Interval funds have limited liquidity, and liquidation/withdrawal and repurchase offers are made only on a periodic basis, such as monthly or quarterly. During the liquidation period, an investor may be able to redeem all, a portion, or none of the shares they own, depending on the overall demand for liquidations from all shareholders. Risks for interval funds can be greater than and different from those of other investment products. You should carefully read the prospectus for information about the material risks with these funds and other disclosures before making a decision to invest. The fund prospectus will be provided through either Mallery Financial or the sponsor.

### ***Taxes***

You will be responsible for all tax consequences resulting from the sale of any security, rebalancing, or reallocation of the Account. You are responsible for any taxable events in these instances. We are not tax professionals and do not give tax advice. However, we will work with your tax professionals to assist you with tax planning.

### ***Wrap Fee***

While we do not sponsor a wrap fee program, we recommend third-party managers, some of which provide their services through a wrap fee program. If applicable, you will receive a copy of the third-party manager's wrap fee brochure describing their wrap fee program(s), fees, and conflicts of interest.

### ***Assets Under Management***

As of December 31, 2022, we managed \$19,208,428 in discretionary assets and \$7,419,573 on a non-discretionary basis.

## **Planning and Consulting Services**

### ***Retirement Plan Consulting Services***

We offer financial advisory and consulting services to employee benefit plans and their fiduciaries based upon the needs of the plan and the services requested by the plan sponsor or named fiduciary. In general, these services may include review of an existing plan, formulation of the investment policy statement, asset allocation advice, vendor selection advice, non-discretionary portfolio management services, investment performance monitoring/benchmarking services, and ongoing consulting, communication, and participant education services/seminars. We may also assist the plan sponsor in providing participant enrollment meetings.

Certain plans/clients that we may provide these services to are regulated under the Employee Retirement Income Securities Act of 1974 (“ERISA”). We will provide pension consulting services to the plan sponsor and/or fiduciaries as described above for the fees set forth in Item 5 of this brochure. The consulting services we provide are advisory in nature. In providing services to any plan and its underlying participants, our status is that of an investment advisor registered under the Securities Act of the State of Oregon and/or other states’ securities laws. We are not subject to any disqualifications under Section 411 of ERISA. In performing fiduciary services, we are acting as a fiduciary of the plan as defined in Section 3(21) under ERISA, only. In all cases, our status as a fiduciary under ERISA is clearly disclosed in a written advisory agreement. If there is any discrepancy between the disclosures in this paragraph and the agreement, the agreement shall govern.

### ***Financial Planning***

Our financial planning services span the range from abbreviated, generalized planning and basic projections, to full cash-flow planning with “what if” scenarios, stress testing, detailed modeling of prospective plan solutions, and a plan document. After the plan has been completed, you may wish to establish an ongoing relationship with Mallery Financial for the purpose of keeping the plan up-to-date and/or to retain periodic access to the Adviser’s advice.

The financial planning relationship typically consists of meetings (in person, by phone, or using a virtual meeting platform) focused on getting to know you and the relevant facts and context of your situation, and subsequent meetings with you and/or your other advisors (attorneys, accountants, etc.) as necessary to complete the goals and objectives of the planning engagement. In addition to non–investment-related considerations, we will discuss your investment objectives and incorporate an investment structure into the overall financial plan. We will discuss your investment preferences and provide you a risk profile report based on your responses to an in-depth questionnaire.

For us to complete the plan it is essential that you provide the information and documentation we request (regarding, for example, your income, investments, taxes, insurance, estate plan, etc.). It is your responsibility to inform us of any changes. We do not verify any information obtained from you or from your attorney, accountant, or other professionals, though we have a strong preference to see and use source documentation as the basis of our work.

### ***Insurance Consulting***

Insurance consulting spans the range from in-force policy analysis (suitability, costs, forensics, repair) to providing analysis and advice on new insurance purchase decisions (needs analyses, recommendations on product type/category and material explanations backing our recommendations, and, if desired, specific product research). We can also work with you to manage in-force insurance contracts (for example, life insurance and annuities) if you can authorize the insurance company to give us access to policy information.

### ***Other Financial Consulting***

We also offer a la carte or specialized consulting services on a fee-for-service basis. These projects may focus very narrowly on a specific issue or may address financial concerns that fall outside the typical categories of financial planning or insurance consulting. Fees and other provisions are the same as described in Financial Planning and Insurance Consulting, above, and below in Item 5 – Fees and Compensation.



### ***Client's Freedom in Implementation***

Mallery Financial's planning and consulting work may result in actionable recommendations. You are under no obligation to implement recommendations through us. You may implement your financial plan through any financial organization you choose.

### **Potential Conflicts of Interest**

Some recommendations may result in additional compensation to Mallery Financial and Stephen Mallery. Such circumstances create the conditions where a conflict of interest exists (the possibility of additional compensation may affect Mallery Financial's judgment when making recommendations). We require that all investment adviser representatives disclose this conflict of interest when such recommendations are made and to advise you that you are not obligated to implement such recommendations or to implement them through Mallery Financial.

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

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

## **Item 5 – Fees and Compensation**

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### **Asset Management and Retirement Plan Consulting Fees**

We charge annual asset-based management fees in connection with our rendering of Asset Management services and/or Retirement Plan Consulting services based on the tiered Standard Fee Schedule shown below. These fees are typically charged monthly, in arrears, based on Account balances during the billing period. The specific formulas used to calculate the advisory fee vary depending on the custodian or platform through which your accounts are billed; for details on the calculation methods used, see the section, "Calculation of Advisory Fees," below.

Multiple accounts of immediately related family members at the same mailing address will be considered one consolidated account (i.e., "household") for billing calculation purposes.

### **Standard Fee Schedule**

Household Assets Under Management	Annual Fee (%)
\$0-\$500,000	1.00%
\$500,001-\$1,000,000	0.85%
\$1,000,001-\$2,000,000	0.60%
\$2,000,001-\$5,000,000	0.45%
\$5,000,001-\$10,000,000	0.35%
>\$10,000,000	0.25%

The fees shown above will be documented in the Investment Advisory Agreement. Fees may be negotiated at the Advisor's discretion; any negotiated fee will be documented in an investment policy statement (IPS) addendum to the Investment Advisory Agreement. In rare instances, exceptions to our Standard Fee Schedule may occur as a result of the billing practices required by the sponsors of certain third-party money management platforms. Any such exceptions will be documented in an IPS addendum to your client agreement. In no case will an alternative agreement result in a fee that is greater than the blended fee calculated using our Standard Fee Schedule. Once an Investment Advisory Agreement has been executed, no increase in the annual fee will be effective unless it has been agreed to in writing by the client.

Clients may add funds to or withdraw funds from the Account at any time; additions and withdrawals will be factored into the calculations that determine our advisory fees.

Depending on the custodian or platform used for the Client's Account(s), fees for one Account may be billed to another Account; for example, you may wish to maximize your IRA and choose to pay the fees for the IRA from a non-qualified account. In such cases, the total fee charged would not change because fees are based on total assets under management, not per account.

Mallery Financial believes its advisory fees are reasonable considering the fees charged by other investment advisers offering similar services/programs. Your investment plan may involve paying additional advisory fees to a third-party money manager, if such a manager is selected and depending upon which manager is selected.

#### **Calculation of Advisory Fees**

Mallery Financial calculates and processes billings for client Accounts invested through Charles Schwab & Co., Inc. ("Schwab"), Apex Clearing, and other custodian(s) we may recommend for client Accounts. Third-party asset management platforms – specifically, Orion Portfolio Solutions and Betterment – calculate and process billings for all accounts held on their platforms using their own methodologies. The specific formula used to calculate the billed fee amount will vary depending on the entity performing the calculation. The following sections detail the three methods currently used (Mallery Financial, Orion Portfolio Solutions, and Betterment).

**Mallery Financial's Fee Billing Calculation Methodology**

For all accounts billed by Mallery Financial (accounts held at Schwab, Apex Clearing, and other custodians that we may recommend for client accounts):

$$\text{Billed Fee Amount} = (\text{Average Balance for the Period}) \times (\text{Blended Advisory Fee \%}) \times (\text{Period Factor})$$

where:

- Average Balance for the Period = (Start Balance + End Balance – Net Flows)/2 + Weighted Flows

where:

- Net Flows = Net additions and withdrawals (deposits, withdrawals, transfers in/out)
- Weighted Flows = Additions and withdrawals, prorated for the number of days in the account during the period
- Blended Advisory Fee % = Blended percentage, calculated using the total household Average Balance and tiered Standard Fee Schedule, above
- Period Factor = Months in Period/Months in Year

**Calculate Average Balance**

Mallery Financial sums the opening and closing account balances and divides the result by 2, incorporating adjustments for cash flows during the period.

Example:

This example assumes the following cash flows occurred in the month for which billing is being calculated:

- Start Balance = \$745,000
- End Balance = \$754,300
- \$900 was deposited on the 11<sup>th</sup> day of a 30-day month.
  - The deposited money was in the account 20 days (includes day of deposit)
- \$600 was withdrawn on the 26<sup>th</sup> day of a 30-day month.
  - The withdrawn money was out of the account 5 days (includes day of withdrawal)
- Net Flows = \$900 – \$600 = \$300
- Weighted Flows = \$500, based on the proration shown below:

Date	Description	Net Amount	#Days/Total Days	Weighted Amount
4/11/2023	Deposit	\$900.00	20/30	\$600.00
4/26/2023	Withdrawal	\$600.00	5/30	-\$100.00
<i>Net Flows</i>		\$300.00	<i>Weighted Flows</i>	\$500.00

Average Balance Calculation:

- Average Balance = (Start Balance + End Balance – Net Flows)/2 + Weighted Flows
- Average Balance = (\$745,000 + \$754,300 – \$300)/2 + \$500 = \$750,000

### *Calculate Blended Advisory Fee Percent*

The total household Average Balance is allocated into successive tiers (see Standard Fee Schedule, above); i.e., the first \$500,000 is billed at 1.00%, the next \$500,000 is billed at 0.85%, the next \$1 million is billed at 0.60%, etc. We calculate the total dollar amount for each tier, sum the dollar amounts, and divide the result by the total household Average Balance.

#### Example:

Calculate the blended advisory fee percent for a total household Average Balance of \$750,000:

- 1.00% on the first \$500,000 ( $\$500,000 \times 0.01 = \$5,000$ )
- 0.85% on the remaining \$250,000 ( $\$250,000 \times 0.0085 = \$2,125$ )
- Total Blended Annual Fee (\$) =  $\$5,000 + \$2,125 = \$7,125$
- Total Blended Annual Fee (%) =  $\$7,125/\$750,000 = 0.95\%$

The blended rate of 0.95% is used in each account's billing calculation for the Period.

### *Calculate the Period Factor*

Period Factor = Months in Period/Months in Year

#### Examples:

For monthly billing:

- Period Factor =  $1/\text{Months in the Year} = 1/12 = 0.0833333\dots$

For quarterly billing:

- Period Factor =  $3/\text{Months in the Year} = 3/12 = 0.25$

### *Calculate the Billed Fee Amount*

Given the definitions and calculations above, we can calculate the Billed Fee Amount assuming a total household Average Balance of \$750,000 with monthly billing.

#### Example:

- Average Balance = \$750,000
- Blended Advisory Fee % = 0.95%
- Period Factor =  $1/12 = 0.0833333\dots$

Billed Fee Amount =  $\$750,000 \times 0.95\% \times 0.0833333\dots = \$593.75$

### ***Orion Portfolio Solutions' Fee Billing Calculation Methodology***

Orion Portfolio Solutions bills based on Average Daily Balance:

*Billed Fee Amount = (Average Daily Balance for the Period) X (Blended Advisory Fee %) X (Period Factor)*

*where:*

- Average Daily Balance =  $\text{Sum}(\text{Closing Balances Each Day})/(\text{Days in Period})$
- Blended Advisory Fee % = Blended percentage, calculated using the total household Average Daily Balance and tiered Standard Fee Schedule, above
- Period Factor =  $\text{Days in Period}/\text{Days in Year}$

### *Calculate Average Daily Balance*

To arrive at the Average Daily Balance, Orion Portfolio Solutions records the closing balances for each day of the period and at the end of the month sums them and divides the result by the number of days in the month.

#### Examples:

- Average Daily Balance in a 31-day month =  $\text{Sum}(31 \text{ Closing Balances})/31$
- Average Daily Balance in a 30-day month =  $\text{Sum}(30 \text{ Closing Balances})/30$

### *Calculate Blended Advisory Fee Percent*

The total household Average Daily Balance is allocated into successive tiers (see Standard Fee Schedule); i.e., the first \$500,000 is billed at 1.00%, the next \$500,000 is billed at 0.85%, the next \$1 million is billed at 0.60%, etc. We calculate the total dollar amount for each tier, sum the dollar amounts, and divide the result by the total household Average Daily Balance.

#### Example:

Calculate the blended advisory fee for a total household Average Daily Balance of \$750,000:

- 1.00% on the first \$500,000 ( $\$500,000 \times 0.01 = \$5,000$ )
- 0.85% on the remaining \$250,000 ( $\$250,000 \times 0.0085 = \$2,125$ )
- Total Blended Annual Fee (\$) =  $\$5,000 + \$2,125 = \$7,125$
- Total Blended Annual Fee (%) =  $\$7,125/\$750,000 = 0.95\%$

The blended rate of 0.95% is used in each account's billing calculation for the Period.

### *Calculate the Period Factor*

Period Factor =  $\text{Days in Period}/\text{Days in Year}$

#### Examples:

- Period Factor =  $31/365 = 0.0849315$
- Period Factor =  $30/365 = 0.0821918$
- Period Factor =  $28/365 = 0.0767123$
- Period Factor =  $29/366 = 0.0792350$

### *Calculate the Billed Fee Amount*

Given the definitions and calculations above, we can calculate the Billed Fee Amount assuming a total household Average Daily Balance of \$750,000.

#### Examples:

For a 31-day month:

- Average Daily Balance = \$750,000
- Blended Advisory Fee % = 0.95%
- Period Factor =  $31/365 = 0.0849315$

Billed Fee Amount =  $\$750,000 \times 0.95\% \times 0.0849315 = \$605.14$

For a 30-day month:

- Average Daily Balance = \$750,000
- Blended Advisory Fee % = 0.95%
- Billing Period = 30/365 = 0.0821918

Billed Fee Amount = \$750,000 X 0.95% X 0.0821918= \$585.62

***Betterment's Fee Billing Calculation Methodology***

Betterment calculates the blended advisory fee each day. At the end of the month, Betterment sums the total daily fees to arrive at a billed fee amount for the month:

*Billed Fee Amount = Sum((Closing Balance Each Day in Period) X (Blended Advisory Fee %) X (Period Factor))*

where:

- Daily Balance = Each Day's Total Household Closing Balance
- Blended Advisory Fee % = Blended percentage, calculated using each day's total household Closing Balance and tiered Standard Fee Schedule, above
- Period Factor = 1/Days in the Year (1/365, or 1/366 in a leap year)

**Process:**

*Each Day, Record that Day's Total Household Closing Balance*

*Each Day, Calculate Blended Advisory Fee %*

- Assume today's total household Closing Balance = \$750,000
  - 1.00% on the first \$500,000 (\$500,000 x 0.01 = \$5,000)
  - 0.85% on the remaining \$250,000 (\$250,000 x 0.0085 = \$2,125)
  - Total Blended Annual Fee (\$) = \$5,000 + \$2,125 = \$7,125
  - Total Blended Annual Fee (%) = \$7,125/\$750,000 = 0.95%

The blended rate of 0.95% is used in each account's billing calculation for the Period.

*Calculate the Period Factor*

- 1/Days in Year = 1/365 = 0.0027397

*Each Day, Calculate that Day's Fee Amount (\$):*

- Day1 Fee Amount = (Day1 Closing Balance) X 0.95% X 0.0027397
- Day2 Fee Amount = (Day2 Closing Balance) X 0.95% X 0.0027397
- Day3 Fee Amount = (Day3 Closing Balance) X 0.95% X 0.0027397
- Etc., for each day in the Period

*Sum the Daily Fee Amounts for the Period*

- Sum(Daily Fee Amounts in the Period)

### **Billed Fee Amount Hypotheticals:**

- Assuming 31 days where each day's Closing Balance was \$750,000:\*
  - Each Day's Fee Amount\* =  $\$750,000 \times 0.95\% \times 0.0027397 = \$19.52$
  - Billed Fee Amount =  $\text{Sum}(31 \times \$19.52) = \$605.13$
- Assuming 30 days where each day's Closing Balance was \$750,000:\*
  - Each Day's Fee Amount =  $\$750,000 \times 0.95\% \times 0.0027397 = \$19.52$
  - Billed Fee Amount =  $\text{Sum}(30 \times \$19.52) = \$585.61$

\*Betterment's method does not use any form of average balance as the basis of the fee calculation, but for the sake of comparing their billing method with the other calculation methods used (Mallery Financial, Orion Portfolio Solutions), we assume the unlikely scenario where each day's Closing Balance was \$750,000.

### **Payment of Fee**

Most clients choose to have their advisory fee debited directly from their custodial Account, but you also have the option of being invoiced directly. If the fee is to be deducted from your custodial Account, you agree to authorize the Custodian to pay the Account's investment advisory services fee directly to Mallery Financial. If you do not want us to charge your Account for the fee, you may pay the fee directly to us. We will send you an invoice detailing the fee calculation. Directly invoiced fees are due in full fifteen (15) days after receipt of the invoice.

Any fee withdrawal schedule other than monthly will be agreed to in writing in your signed advisory agreement with us.

Through authorizations you provide in your signed advisory agreement with us and your account-opening paperwork, we have the ability to direct your custodian to debit our advisory fees directly from your advisory Account.

The Custodian will send you a statement, at least quarterly, indicating all amounts disbursed from the Account, including the fee paid directly to Mallery Financial. Mallery Financial's access to the assets of the Account will be limited to trading, direct deduction of advisory fees (if authorized by the client), and facilitating Client-directed cash flows (executing contributions to or withdrawals from the Account at the Custodian based your instructions).

### **Third-Party Money Managers**

When you invest with a third-party manager, Mallery Financial receives its standard asset management fee for assisting with the selection of an investment program and managing the manager (monitoring the managers, hiring and firing managers based on your objectives and manager performance, coordinating with managers for implementation of any customizations, and providing you feedback, guidance, and performance reporting). For information about fees, terms, and other disclosures associated with the third-party manager, see their Form ADV Part 2 (or equivalent written disclosures), copies of which shall be provided to you at the inception of any third-party manager relationship.

Advisory fees charged by third-party managers are separate and apart from our advisory fees. Assets managed by third-party managers will be included in calculating our advisory fee, which is based on the fee

schedule set forth in our standard fee schedule. We consider the total fees you'll pay when we recommend or select a third-party manager for you, and we will make such a recommendation only when we believe the total fees for the service are reasonable and in your best interest. Advisory fees that you pay to the third-party manager are established and payable in accordance with the brochure provided by each third-party manager to whom you are referred. These fees may or may not be negotiable. You should review the recommended third-party manager's brochure and take into consideration both their fees along with our fees to determine the total amount of fees associated with this program.

Third-party managers are generally accessible to us and our clients only through web-based platforms. Some third-parties charge a platform fee in addition to any third-party asset management fees. See the section below titled Other Third-Party Fees for additional information.

### **Interval Funds**

Management fees for investments in interval funds will be charged in your advisory Account based on the value of these investments. Because redemptions and repurchases are limited to specific liquidation periods, you will be able to implement any advice only during the liquidation period.

### **Other Third-Party Fees**

Our fees do not include brokerage commissions, transaction fees, and other related costs and expenses. You may incur charges imposed by custodians, third-party investment companies, and other third parties; for example, fees charged by managers, custodial trade commissions and other fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Investment management platforms may charge platform fees and annual account maintenance fees; see the platform's Form ADV for details. Insurance companies that provide fee-based (advisory) annuities typically charge contract fees, annual account maintenance fees, and may offer optional insurance riders that provide additional benefits in exchange for an insurance rider fee; see the product prospectus and other disclosure documents for details. Mutual funds, money market funds, and exchange-traded funds (ETFs) also charge internal management fees, which are disclosed in the fund's prospectus. These fees may include, but are not limited to, a management fee, up-front sales charges, and other fund expenses. Certain strategies offered by us may involve investment in mutual funds and/or ETFs. Load and no-load mutual funds may pay annual distribution charges, sometimes referred to as "12(b)(1) fees." These 12(b)(1) fees come from fund assets and thus indirectly from clients' assets. We do not receive any compensation from these fees. All of these fees are in addition to the management fee you pay us. You should review all fees charged to fully understand the total amount of fees you will pay. Services similar to those offered by us may be available elsewhere for more or less than the amounts we charge. Brokerage practices are discussed in more detail under Item 12 – Brokerage Practices.

### **Termination**

You can terminate your Asset Management relationship with no penalty within five business days of signing your agreement with Mallery Financial. After the initial five days, the Asset Management relationship can be terminated at any time by either party with written notice. Should you terminate your Asset Management relationship with Mallery Financial before the end of a month, we will invoice you for the number



of unbilled days in the period up to the date of termination, prorated, and payment will be due within 15 days.

### **Financial Planning, Insurance Consulting, and Other Financial Consulting Fees Compensation Framework**

Our planning/consulting process begins with a thorough intake discussion where we learn about you, your concerns, goals, priorities, and desired outcomes. Based on that discussion we offer a proposed engagement plan and fee arrangement designed to meet your objectives and desired deliverables.

Planning and consulting services are billed either at an hourly rate of \$150 per hour or on a project basis. Project-based fees are fixed for the duration of the project. Either fee arrangement will be documented and agreed upon in a written Financial Planning/Consulting Agreement. If at any time it appears that the project will take more time than estimated or grows in scope or complexity, there shall be no increase in the fee without your written consent. If you choose not to pursue the completion of services, we will provide all completed work. We will provide a refund of any unearned prepaid fees on a prorated basis, if applicable.

Payment terms are negotiable. Fees are typically billed 50% in advance, with the balance payable within 30 days or spread out in monthly installments over no more than five (5) months. At no time will we charge a fee of \$500 or more six (6) or more months in advance.

At the conclusion of the plan, if the plan is implemented through us under an Investment Advisory Agreement, we will receive separate compensation for those services (as described in the Asset Management Fee Schedule section, above). In some instances, our recommendations may involve a commissionable fixed insurance product, and Stephen Mallery may offer to implement the recommendation through his outside insurance brokerage service. In these instances, Mr. Mallery may receive a commission in connection with the sale of insurance products to clients. Please see the important disclosures below regarding certain conflicts of interest which arise under these arrangements.

The fees and expenses you pay for purchasing investment services or insurance products may be more or less than the expenses you would pay if you were to decide to implement our recommendations through another investment advisory firm, broker-dealer, or insurance broker; such fees and expenses are typically determined by the broker-dealer, investment company, or insurance company sponsoring the service or product.

### **Conflict of Interest Related to Compensation for the Sale of Insurance Products**

Certain associated persons of our firm, including Stephen Mallery, are independently licensed to sell insurance in one or more states acting as a direct agent representative of a specific insurance company or companies. Insurance-related business may be transacted with advisory clients, and licensed individuals may receive commissions from insurance products sold to clients. Clients are advised that the fees paid to Mallery Financial for investment advisory services are separate and distinct from any commissions earned by its associated persons in connection with the sale of insurance products to clients. If requested by a client, we will disclose the amount of commissions expected to be paid with respect to any insurance products.

When such recommendations or sales are made, a conflict of interest exists to the extent that the insurance-licensed investment adviser representative (IAR) earns insurance commissions for the sale of those products, which may create an incentive to recommend such products. We require that all IARs disclose this conflict of interest when such recommendations are made. Also, we require IARs to disclose that clients may purchase recommended insurance products from other insurance agents not affiliated with Mallery Financial.

As fiduciaries we must act primarily for the benefit of our investment advisory clients. As such, we will transact insurance-related business with clients only when fully disclosed, suitable, and appropriate. Further, we must determine in good faith that any commissions paid to our associated persons are appropriate. We encourage you to ask us about the conflicts of interest presented by the insurance licensing of our associated persons.

### **Good Faith**

All recommendations developed by us are based upon our professional judgment. We cannot guarantee the results of any of our recommendations.

## **Item 6 – Performance Based Fee and Side-by-Side Management**

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Performance-based fees are fees based on a share of capital gains on or capital appreciation of the assets of a client. We do not charge any performance-based fees; therefore, we do not engage in side-by-side management of client accounts.

## **Item 7 – Types of Client(s)**

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We provide investment advisory services to individuals, high net worth individuals, trusts, estates, businesses, retirement plans and their sponsors, non-profit organizations, donor advised funds, endowments, and foundations. We have no minimum required account opening balance or annual fee requirements.

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

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### **Methods of Analysis**

We make use of multiple analytical disciplines as part of our overall investment management process. As part of our investment advisory services to you, the implementation of these disciplines may include any, all, or a combination of the following:

#### **Fiduciary Analysis**

##### ***Mutual funds and ETFs***

Mutual funds and ETFs are amendable to a screening process that considers a set of quantitative due-diligence criteria consistent with fiduciary investment management, including:

- Regulatory oversight
- Minimum track record
- Stability of organization
- Assets in the investment
- Composition consistent with asset class
- Style consistency
- Expense ratios/fees relative to peers
- Performance relative to peers
- Risk-adjusted performance relative to peers

### ***Stocks***

Stocks can be evaluated against a wide range of publicly available company information, including fundamental analysis, technical analysis, and the company's and its industry's position relative to general macroeconomic conditions.

### **Modern Portfolio Theory (MPT)**

Modern portfolio theory tries to understand the market as a whole, rather than looking for what makes each investment opportunity unique. Investments are described statistically, in terms of their expected long-term rate of return and their expected short-term volatility. Volatility is equated with "risk," measuring how much worse than average (or better than average) an investment's bad years are likely to be. The goal is to identify your acceptable level of risk tolerance, and then to build a portfolio with the maximum expected return for that level of risk (or, seen another way, to identify your desired rate of return and build a portfolio with the least risk required to achieve that rate of return).

### **Macroeconomic Analysis**

Macroeconomics refers to the conditions of the economy as a whole. It includes consideration of macroeconomic factors such as economic growth rates, fiscal policy, monetary policy, exchange rates, inflation rates, employment rates, and consumer spending – both in the United States and across the globe. Macroeconomics considers the conditions on the ground on which companies base their business decisions and governments base their policy decisions. Macroeconomics recognizes that economies are driven by larger forces and patterns and that the global economy is intertwined and interdependent.

### **Fundamental Analysis**

Fundamental analysis is a technique that attempts to determine a security's value by focusing on the underlying factors that affect a company's actual business and its future prospects. Fundamental analysis is about using real data to evaluate a security's value. It refers to the analysis of the economic well-being of a financial entity as opposed to only its price movements.

The end goal of performing fundamental analysis is to produce a value that we can compare with the security's current price, with the aim of determining what position to take with that security (underpriced = buy; overpriced = sell).

## **Technical Analysis**

Technical analysis is a technique that attempts to determine a security's value by developing models and trading rules based on price and trading volume transformation. Technical analysis assumes that a market's price reflects all relevant information, so the analysis focuses on the history of a security's trading behavior rather than external drivers such as economic, fundamental, or news events. The practice of technical analysis incorporates the importance of understanding how market participants perceive and act upon relevant information rather than focusing on the information itself. Ultimately, technical analysts develop trading models and rules by evaluating factors such as market trends, market participant behaviors, supply and demand, and pricing patterns and correlations.

As with other types of analysis, the predictive nature of technical analysis can vary greatly; models and rules are often modified and updated as new patterns and behaviors develop. Past performance is not an indicator of future return.

## **Economic Analysis and Stress Testing**

Stress testing is a risk management tool used to simulate an economic crisis and determine if such an event could impact a client's assets, and to what degree. Stress testing enables us to identify potential worst-case scenarios so that we may attempt to manage a client's exposure to risk. Based on the results of stress testing, we can take strategic actions such as adjusting economic capital levels or adjusting the portfolio mix with the hope of achieving enhanced economic returns.

## **Investment Strategies**

The investment strategies we use to implement any investment advice given to you include, but are not limited to:

- Long-term purchases (securities held at least a year)
- Short-term purchases (securities sold within a year)

## **Tailored Strategies**

Custom-tailored portfolios span two major categories.

### *Security Exclusion/Inclusion*

One category of custom-tailored portfolios is where you request us to restrict or include specific securities or security types from your Account – for example, individual companies, asset classes, industry sectors, or any other restriction you request. Such requests typically are made in the context of socially responsible investing (SRI); environmental, social, and governance (ESG) criteria; religious beliefs; or other values-based desires or beliefs. Mallery Financial supports values-based investing and will work diligently to tailor your portfolio to our requests to the greatest extent possible.

### *Special-Purpose Accounts*

A second category of custom-tailored portfolios includes legacy stock and/or bond accounts, work-out strategies for stocks with high embedded unrealized gains, focused dividend strategies, insurance-backed investment strategies, and other account types and strategies that are unique and specific to your circumstances. Mallery Financial will accommodate special-purpose accounts to the greatest extent possible.

These categories are not mutually exclusive and may overlap.

### Model Strategies

As stated above under Item 4 – Advisory Business Introduction – we offer model portfolios designed to align with most Clients’ risk tolerance and investment objective. The following chart shows the range of investment objectives available and their associated high-level asset allocation.

Model Name	Description
Capital Preservation	10% equities/90% fixed income
Conservative	20% equities /80% fixed income
Conservative Plus	30% equities/70% fixed income
Moderately Conservative	40% equities/60% fixed income
Balanced	50% equities/50% fixed income
Moderate	60% equities/40% fixed income
Moderate Growth	70% equities/30% fixed income
Growth	80% equities/20% fixed income
Aggressive Growth	90% equities/10% fixed income
Also available:	100% bond and 100% stock model portfolios

Please note that the above-listed models may include a relatively small portion allocated to an “alternatives” sleeve. Alternatives are defined as anything that is neither a stock, nor a bond, nor cash. As such they provide the potential to add a level of diversification not possible when limited to stocks, bonds, and cash and may help lower a portfolio’s volatility. Examples include hard assets such as real estate, commodities, currencies, and precious metals, and strategies such as market neutral, managed futures, global macro, and merger arbitrage. Because direct investing in alternatives usually involves lack of ready liquidity, Mallery Financial prefers to access alternatives through mutual funds or ETFs to provide liquidity (important for our ability to re-balance portfolio allocations as well as for your liquidity needs). As an example of the application of alternatives in a portfolio, a 60% equities/40% fixed income portfolio might become 60% equities/30% fixed income/10% alternative investments.

Mallery Financial models may be built through an “overlay” or “sleeve-based” approach, where the final model is made up of sub-models or “sleeves” (for example, a growth stocks sleeve, a defensive stocks sleeve, an income sleeve, an alternatives sleeve, a volatility-stabilizer sleeve, etc.). This approach enables Mallery Financial to actively manage the constituent parts based on prevailing conditions, threats, and opportunities while delivering an integrated model portfolio solution.

### **Third-Party Money Managers**

As stated earlier, we may recommend one or more third-party money manager(s) based on your financial circumstances, investment objectives, risk tolerance, time horizon, liquidity needs, and other factors that may be relevant to your situation. Please refer to each third-party manager's ADV Part 2 for a complete description of their analysis methods and investment strategies.

### **Risk of Loss**

We cannot guarantee our analysis methods will yield a positive return. In fact, loss of principal is always a risk. Investing in securities involves a risk of loss that you should be prepared to bear. Clients must understand that investment decisions made for your Account by us are subject to various market, currency, economic, political, and business risks. The investment decisions we make for you will not always be profitable, nor can we guarantee any level of performance.

A list of all risks associated with the strategies, products, and methodology we offer are listed below:

#### **Analysis Methods Risk**

##### *Fundamental Analysis Risk*

Fundamental analysis, when used in isolation, has a number of risks:

- An infinite number of factors can affect the earnings of a company and its stock price over time. These can include economic, political, and social factors in addition to the various company statistics.
- The only data available may be out of date (i.e., the necessary current data may not be available).
- It is difficult to give appropriate weightings to the factors.
- It assumes that the analyst is competent.
- It ignores the influence of random events such as oil spills, product defects being exposed, acts of God, and so on.

##### *Modern Portfolio Theory (MPT) Risk*

Modern Portfolio Theory tries to understand the market as a whole and measure market risk in an attempt to reduce the inherent risks of investing in the market. However, with every financial investment strategy there is a risk of a loss of principal. Not every investment decision will be profitable, and there can be no guarantee of any level of performance.

##### *Macroeconomic/Cyclical Analysis Risk*

Looking at market cycles in conjunction with other investment strategies can be useful when making investment decisions. However, market cycles are not always predictable. Each financial investment strategy has benefits and risks. Not every investment decision will be profitable, and there can be no guarantee of any level of performance.

##### *Technical Analysis Risk*

- Technical analysis is derived from the study of market participant behavior, and its efficacy is a matter of controversy.

- Methods vary greatly and can be highly subjective; different technical analysts can sometimes make contradictory predictions from the same data.
- Models and rules can incur materially high transaction costs.

#### *Environment, Social, and Governance (ESG) Risk*

Environment, social, and governance (ESG) assessment is often confused with “socially responsible investing” (SRI) and “values-based” investing. Unlike SRI and values-based investing, ESG does not seek to exclude specific industries based on ethical categories, but rather provides a risk assessment based on the business risks associated with a company’s business practices.

Several independent organizations collect and analyze ESG data and formulate ratings, typically presented as scores. Companies are scored based on the presence of policies and practices for limiting violations of hundreds of criteria within the broad criteria of environment, social, and governance (ESG), as well as on their actual performance in regard to these criteria. For example, stocks that score low in the environment category (because of major pollution spills, regulatory violations, class-action lawsuits, etc.) may hold financial risks in the form of fines, remediation costs, and reputational damage. Similarly, in the social and governance categories – low scores in those categories may indicate the presence of risks that could negatively affect the company’s bottom line. A prudent investor would naturally take such risks into account when considering various companies as prospective investments.

ESG scoring is a nascent and inexact form of analysis. There can be significant disagreement/divergence in scores among the various ESG score providers, owing in part to the fact that each scoring entity has its own definitions and metrics for the multitude of criteria that go into an ESG score. There is evidence that a given stock may score high, medium, or low, depending on the scoring entity and their source data and method of analysis. Also, with hundreds of data points contributing to a company’s score, and voluntary reporting, the landscape of ESG data is littered with potholes. However, both the analytical methods used and the problem of incomplete data have been shown to be improving over time.

We view ESG as one of many risk metrics worth considering when evaluating investment candidates, while remaining aware of some incompleteness and inconsistencies in the data behind published scores.

### **Product Risk**

#### *Alternative Investment Risk*

Direct investing in alternative investments is speculative, not suitable for all clients, and intended for experienced and sophisticated investors who are willing to bear the high economic risks of the investment, which can include:

- Loss of all or a substantial portion of the investment due to leveraging, short-selling, or other speculative investment practices.
- Lack of liquidity (there may be no secondary market for the fund and none expected to develop).

- Volatility of returns.
- Absence of information regarding valuations and pricing.
- Delays in tax reporting.
- Less regulation and higher fees than mutual funds.

#### *Bond Fund Risk*

Bond funds generally have higher risks than money market funds, largely because they typically pursue strategies aimed at producing higher yields. The risks associated with bond funds include:

- **Call Risk** — The possibility that falling interest rates will cause a bond issuer to redeem (or “call”) its high-yielding bond before the bond’s maturity date.
- **Credit Risk** — the possibility that companies or other issuers whose bonds are owned by the fund may fail to pay their debts (including the debt owed to holders of their bonds). Credit risk is less of a factor for bond funds that invest in insured bonds or U.S. Treasury bonds. By contrast, those that invest in the bonds of companies with poor credit ratings generally will be subject to higher credit risk.
- **Interest Rate Risk** — the risk that the market value of the bonds will go down when interest rates go up. Interest rate risk means you can lose money in any bond fund, including those that invest only in insured bonds or Treasury bonds.
- **Prepayment Risk** — the chance that a bond will be paid off early. For example, if interest rates fall, a bond issuer may decide to pay off (or “retire”) its debt and issue new bonds that pay a lower rate. When this happens, the fund may not be able to reinvest the proceeds in an investment with a return or yield as high as that of the original bond.

#### *Exchange Traded Fund (“ETF”) Risk*

Most ETFs are passively managed investment companies whose shares are purchased and sold on a securities exchange. An ETF represents a portfolio of securities designed to track a particular market segment or index. ETFs are subject to the following risks that do not apply to conventional funds:

- The market price of the ETF’s shares may trade at a premium or a discount to their net asset value.
- An active trading market for an ETF’s shares may not develop or be maintained.
- There is no assurance that the requirements of the exchange necessary to maintain the listing of an ETF will continue to be met or remain unchanged.

#### *Mutual Funds Risk*

The following is a list of some general risks associated with investing in mutual funds.

- **Country Risk** — The possibility that political events (a war, national elections), financial problems (rising inflation, government default), or natural disasters (an earthquake, a poor harvest) will weaken a country’s economy and cause investments in that country to decline.
- **Currency Risk** — The possibility that returns could be reduced for Americans investing in foreign securities because of a rise in the value of the U.S. dollar against foreign currencies. Also called exchange-rate risk.



- **Income Risk** — The possibility that a fixed-income fund’s dividends will decline as a result of falling overall interest rates.
- **Industry Risk** — The possibility that a group of stocks in a single industry will decline in price because of developments in that industry.
- **Inflation Risk** — The possibility that increases in the cost of living will reduce or eliminate a fund’s real inflation-adjusted returns.
- **Manager Risk** — The possibility that an actively managed mutual fund’s investment adviser will fail to execute the fund’s investment strategy effectively resulting in the failure of stated objectives.
- **Market Risk** — The possibility that stock fund or bond fund prices overall will decline over short or even extended periods. Stock and bond markets tend to move in cycles, with periods when prices rise and other periods when prices fall.
- **Principal Risk** — The possibility that an investment will go down in value, or “lose money,” from the original or invested amount.

#### *Stock Fund Risk*

Overall “market risk” poses the greatest potential danger for investors in stocks funds. Stock prices can fluctuate for a broad range of reasons, such as the overall strength of the economy or demand for particular products or services.

#### *Insurance Product Risk*

The rate of return on variable insurance products is not stable, but varies with the stock, bond, and money market subaccounts that are selected as investment options. There is no guarantee that you will earn any return on your investment, and there is a risk that you will lose money. Even fixed insurance products carry certain risks or trade-offs. Before you consider purchasing an insurance product, make sure you fully understand all of its terms. Carefully read the prospectus.

Some of the major risks include:

- **Liquidity and Early Withdrawal Risk** — There may be a surrender charges for withdrawals within a specified period, which can be as long as 4–10 years. Any withdrawals before a client reaches the age of 59½ are generally subject to the IRS 10% early withdrawal penalty in addition to any gain being taxed as ordinary income.
- **Sales Charges and Surrender Charges** — Asset-based sales charges or surrender charges normally decline and eventually are eliminated the longer you hold your shares. For example, a surrender charge could start at 7% in the first year and decline by 1% per year until it reaches 0%.
- **Fees and Expenses** — Insurance products may have a variety of fees and expenses, which can reach 2% and more, such as:
  - Mortality and expense risk charges
  - Administrative fees
  - Underlying fund expenses

- Charges for special features or riders
- State premium taxes
- Bonus Credits — Some products offer bonus credits that can add a specified percentage to the amount invested ranging from 1% to 5% for each premium payment. Bonus credits, however, are usually not free. In order to fund them, insurance companies typically impose high mortality and expense charges, lengthy surrender charge periods, and/or additional insurance rider fees.
- Guarantees — Insurance companies provide a number of specific guarantees. For example, they may guarantee a death benefit or an annuity payout option that can provide income for life. These guarantees are only as good as the insurance company that offers them.
- Market Risk – The possibility that stock fund or bond fund prices overall will decline over short or even extended periods. Stock and bond markets tend to move in cycles, with periods when prices rise and other periods when prices fall.
- Principal Risk – The possibility that an investment will go down in value, or “lose money,” from the original or invested amount.

### **Overall Risks**

Clients need to remember that past performance is no guarantee of future results. All investments carry some level of risk. You may lose some or all of the money you invest, including your principal, because the securities held by a fund will go up and down in value. Dividend or interest payments may also fluctuate, or stop completely, as market conditions change.

Before you invest, be sure to read a fund’s prospectus and shareholder reports to learn about its investment strategy and the potential risks. Funds with higher rates of return may take risks that are beyond your comfort level and be inconsistent with your financial goals.

While past performance does not necessarily predict future results, it can tell you how volatile (or relatively stable) a fund has been over time. Generally, the more volatile a fund, the higher the investment risk. If you’ll need access to your money to meet a financial goal in the near term, you probably can’t afford the risk of investing in a fund with a volatile history because you will not have enough time to ride out any declines in the stock market.

## **Item 9 – Disciplinary Information**

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Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management. Mallery Financial has no disclosures for the firm or any of our IARs. We adhere to high ethical standards for all of our IARs and associates.

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

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Our firm and our associated persons are not registered, nor do they have an application pending to register, as a broker-dealer, futures commission merchant, commodity pool operator, or commodity trading advisor or representative of any of the foregoing.

Stephen Mallery, the Lead Advisor, Managing Member, and Chief Compliance Officer for Mallery Financial, is a licensed insurance agent/broker with various companies. Stephen Mallery may recommend insurance products and may also, as an independent insurance agent, sell those recommended insurance products to Clients. When such recommendations or sales are made, a conflict of interest exists to the extent that the insurance-licensed investment adviser representative (IAR) earns insurance commissions for the sale of those products, which may create an incentive to recommend such products. We require that all IARs disclose this conflict of interest when such recommendations are made. Also, we require IARs to disclose that clients may purchase recommended insurance products from other insurance agents not affiliated with Mallery Financial. If requested by a client, we will disclose the amount of commissions expected to be paid with respect to any insurance products. We encourage you to ask us about the conflicts of interest presented by the insurance licensing of our associated persons.

### **Selection of Other Advisers**

Where appropriate, we recommend third-party managers to clients. Details of the fees charged by third-party managers are described in Item 5 of this Brochure and in the third-party manager's ADV Part 2 (or equivalent disclosure brochure). We do not receive any additional compensation as a result of recommending any third-party manager to our clients.

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

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### **General Information**

We have adopted a Code of Ethics for all employees of the firm describing our high standards of business conduct and fiduciary duty to you, our client. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts, the reporting of certain gifts and business entertainment items, and personal securities trading procedures. Our IARs must acknowledge the terms of the Code of Ethics annually, or as amended.

The following acts are prohibited:

- Employing any device, scheme, or artifice to defraud
- Making any untrue statement of a material fact
- Omitting to state a material fact necessary in order to make a statement, in light of the circumstances under which it is made, not misleading

- Engaging in any fraudulent or deceitful act, practice, or course of business
- Engaging in any manipulative practices

Clients and prospective clients may request a copy of the firm's Code of Ethics by contacting the CCO.

## **Participation or Interest in Client Accounts**

Our compliance policies and procedures prohibit anyone associated with Mallery Financial from having an interest in a client Account or participating in the profits of a client's Account without the approval of the CCO.

## **Personal Trading**

We may recommend securities to you that we will purchase for our own accounts. We may trade securities in our account that we have recommended to you as long as we place our orders after your orders. This policy is meant to prevent us from benefiting as a result of transactions placed on behalf of advisory accounts.

Neither Mallery Financial nor any of its related persons recommend securities (or other investment products) to advisory clients in which we or any related person has some other proprietary (ownership) interest, other than those mentioned above.

Certain affiliated accounts may trade in the same securities with your Accounts on an aggregated basis when consistent with our obligation of best execution. When trades are aggregated, all parties will share the costs in proportion to their investment. We will retain records of the trade Order (specifying each participating account) and its allocation. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order.

Mallery Financial has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of "Access Persons" (individuals at Mallery Financial who have access to Client Account information or information related to the Adviser's trading activity). The policy requires that an Access Person of the firm provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date the Adviser selects; provided, however that at any time that the Adviser has only one Access Person, he or she shall not be required to submit any securities report described above.

We have established the following restrictions to ensure that our fiduciary responsibilities regarding insider trading are met:

- No securities for our personal portfolio(s) shall be bought or sold where this decision is substantially derived, in whole or in part, from the role of IARs of Mallery Financial, unless the information is also available to the investing public on reasonable inquiry. In no case, shall we put our own interests ahead of yours.

## **Privacy Statement**

We are committed to safeguarding your confidential information and hold all personal information provided to us in the strictest confidence. These records include all personal information that we collect from you or receive from other firms in connection with any of the financial services they provide. We also require other firms with whom we do business to restrict the use of your information. Our Privacy Policy is available upon request.

## **Conflicts of Interest**

Mallery Financial's IARs may use the same strategy for their personal investment accounts as the firm uses for its clients. However, IARs may not place their orders in a way to benefit from the purchase or sale of a security executed on behalf of a client.

We act in a fiduciary capacity. If a conflict of interest arises between us and you, our policy is to disclose the potential conflict, and we shall make every effort to resolve the conflict in your favor. Conflicts of interest may also arise in the allocation of investment opportunities among the Accounts that we advise. We will seek to allocate investment opportunities according to what we believe is appropriate for each Account. We strive to do what is equitable and in the best interests of all the Accounts we advise.

## **Item 12 – Brokerage Practices**

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### **Factors Used to Select Custodians**

In recommending a custodian/broker-dealer, we look for a company that offers relatively low transaction fees, access to desired securities, trading platforms, and support services. We require Clients to use Schwab, Apex Clearing, Betterment Securities, or other platforms with which we may establish a trusted relationship as the qualified Custodian for their Accounts when using our asset management services.

Charles Schwab & Co., Inc. ("Schwab"), is a division of Charles Schwab Corporation, member FINRA/SIPC, an unaffiliated SEC-registered broker-dealer and FINRA member. Schwab offers to independent investment advisers services that include custody of securities, trade execution, and clearance and settlement of transactions.

Apex Clearing is a specialty custodian that offers the ability to buy and sell stocks in fractions of shares, rather than the usual custodial requirement to buy and sell stocks as whole shares only. Fractional shares enable the Client to buy high-priced stocks in smaller (fractional) increments, which means a fixed-dollar investment amount can be spread across more stocks; they thus provide the Client the opportunity to achieve greater diversification than would otherwise be possible with a relatively small investment amount. The net benefit to the Client is that fractional shares enable you to purchase a broadly diversified portfolio of individual stocks with minimum investments as low as \$25,000.

Betterment Securities is an SEC-registered broker-dealer and Member of FINRA/SIPC. It provides brokerage services that include custody, trade execution, and clearance and settlement of transactions to clients of Betterment LLC. Betterment LCC includes the platform Betterment for Advisors, which provides advi-

sors and their clients paperless account opening, model portfolio management, reporting, cashiering (effecting contributions or withdrawals to/from accounts), and limited financial planning services at a low cost through its focus on automation. Betterment Securities and Betterment for Advisors are subsidiaries of Betterment Holdings, Inc. Because of the complete and exclusive integration of these entities, both the custodian and the advisory platform are referred to in this document as “Betterment.” We believe this web-based platform’s services are a suitable match for certain Clients who will appreciate its low cost, efficiency, ease of use, and modern, direct-access experience.

## **Soft Dollars**

While Mallery Financial does not receive any traditional soft dollar benefits, Schwab, Betterment, and other platforms and third-party managers provide us with certain brokerage and research products and services that benefit just our firm, benefit our clients, or benefit both our firm and our clients. These research products and/or services are intended to assist us in our investment decision-making process. Generally, such research may be used to service all of our clients, even though such services are typically financed through the assessment of normal fees paid by the Client.

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

Betterment for Advisors is a digital wealth management platform generally serving independent investment advisory firms and advisors. Betterment LLC, a registered investment advisor, serves as sub-advisor to Mallery Financial’s clients. MTG LLC, dba Betterment Securities, a registered broker-dealer and member of FINRA and SIPC, serves as broker-dealer and custodian. Collectively, in this document we refer to these entities as “Betterment.” Betterment’s services include goals-based investment management, portfolio construction tools, automated investment management and reporting and billing services, website and mobile application, and advisor and Client dashboards. Betterment charges Mallery Financial a flat

monthly fee for the use of its platform, a fee that is separate and apart from Betterment's investment advisory fee and is paid solely by Mallery Financial and not passed on to the client. That fee is waived, however, when client assets under management on the platform reach a certain level. A conflict of interest arises from the fact that Mallery Financial may be incentivized to refer client accounts to Betterment to reach a level of assets under management at which the monthly fee to Mallery Financial is waived.

In 2022, Mallery Financial began using First Affirmative Financial Network (FAFN) for third-party management of some client accounts. For the purpose of selecting securities to include in client accounts, FAFN uses a security screening service provided by another third party, YourStake PBC, a certified B-Corp public benefit company – of which Mallery Financial was already a paid subscriber. Once Mallery Financial started using FAFN and client assets with FAFN reached a certain level, YourStake services became free of charge to Mallery Financial pursuant to an agreement between FAFN and YourStake. A conflict of interest arises from the fact that Mallery Financial now receives for free a service that it used to pay for, which could lead Mallery Financial to recommend clients to FAFN's investment management services to maintain free access to YourStake's services.

As part of its fiduciary duties to Clients, Mallery Financial endeavors at all times to put the interests of its clients first. Clients should be aware, however, that our receipt of economic benefits creates a potential conflict of interest and may indirectly influence our choice of custodian or other third-party platform.

## **Best Execution**

We have an obligation to seek best execution for you. In seeking best execution, the determinative factor is not the lowest possible commission cost but whether the transaction represents the best qualitative execution, taking into consideration the full range of the broker-dealer, custodian, or manager's services, including the value of research provided, execution capability, commission rates, additional costs, reputation and responsiveness. Therefore, we will seek competitive costs, but we may not obtain the lowest possible costs for accounts.

## **Brokerage for Client Referrals**

In selecting and/or recommending broker-dealers, we do not take into consideration whether we will receive client referrals from the broker-dealer or third party.

## **Directed Brokerage**

We do not permit directed brokerage. We will require you to use the custodian of our choosing as the custodial firm.

## **Trading**

Transactions for each client account generally will be effected independently, unless we decide to purchase or sell the same securities for several clients at approximately the same time. We may (but are not obligated to) combine or "batch" such Orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among our clients' differences in prices and commission or other transaction costs. Under this procedure, transactions will be price-averaged and allocated among our clients in proportion to the purchase and sale orders placed for each client account on any given day.

Transactions placed in an asset management account by a third-party manager will be executed through their broker-dealer or custodian. In determining best execution for these transactions, the third-party manager is looking at whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. While they look for competitive commission rates, they may not obtain the lowest possible commission rates for account transactions. The aggregation and allocation practices of mutual funds and third-party managers that we recommend to you are disclosed in the respective mutual fund prospectuses and third-party manager disclosure documents which will be provided to you.

## **Item 13 – Review of Accounts**

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### **Reviews**

#### **Asset Management Services**

Reviews are conducted at least annually or as agreed to by the Adviser and Client. Reviews will be conducted by our Chief Compliance Officer, Stephen Mallery. You may request more frequent reviews and may set thresholds for triggering events that would cause a review to take place. Generally, we monitor for changes and shifts in the economy, changes to the management and structure of a mutual fund or company in which client assets are invested, and market shifts and corrections.

#### **Financial Planning and Insurance Consulting**

As part of the financial planning process, we will perform an initial review of your Account information (which you provide us) in the context of the planning process. Subsequent reviews may be scheduled as needed by you and/or Mallery Financial up and until the final plan documentation is provided to you. Once the plan has been provided, the agreement will terminate unless both parties agree to continue the relationship under mutually agreeable terms, which will be formalized through an updated Financial Planning/Consulting Agreement.

### **Reports**

#### **Asset Management Services**

You will be provided with custodial statements reflecting the transactions occurring in your Account, Account performance reports, and trade confirmations for each securities transaction executed in the Account by the Custodian, all on at least a quarterly basis. These statements and reports will be delivered in print or digitally, depending on the delivery options available from the Custodian and what you select when you open the Account. It is your responsibility to notify us of any discrepancies between the statements provided by Mallery Financial and the Custodian(s) or any concerns you have about the Account(s).

#### **Financial Planning and Insurance Consulting**

##### ***Financial Planning***

We will provide a series of reports as we progress through the planning process, culminating in a final printed plan document. During the planning engagement you will have online access to the plan data and projections and the ability to self-direct the generation of other reports through your personal financial



website, which we provide to you as part of your financial planning engagement. After the planning project has been completed, together we may negotiate ongoing periodic reviews and/or ongoing access to your personal financial website.

### ***Insurance Consulting***

As stated under Item 4 – Advisory Business Introduction – insurance consulting services span the range from in-force policy analysis (suitability, costs, forensics, repair) to new insurance decisions (needs analyses, recommendations on product type/category and material explanations backing our explanations, and, if desired, specific product research). We can also work with you to manage in-force insurance contracts (for example, life insurance and annuities) if you can authorize the insurance company to give us access to policy information. Any reports we deliver will be dictated by the services you engage us to provide.

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

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We do not receive any economic benefit from anyone who is not a Client for providing investment advice or other advisory services to our Clients, nor do we directly or indirectly pay any compensation to another person if they refer clients to us.

## **Item 15 – Custody**

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We do not have physical custody of any accounts or assets. However, we are deemed to have constructive custody of your Account(s) when we have the ability to instruct the Custodian to deduct your advisory fees from your custodial Account(s).

In some cases Clients provide us with standing letters of authorization (“SLOAs”). These are written directives from the Client authorizing us to initiate payments from their custodial accounts to the Client’s bank account or to specified third parties. This authority is considered “custody” under current regulatory guidance and requires us to report that we have custody over these account assets on our ADV 1A. We ensure we comply with certain conditions, including that Clients have the right to terminate the SLOA and that the qualified custodian will confirm the status of the SLOA annually directly with the Client, and we are not subject to further controls relating to this type of custody.

You should receive at least quarterly statements from the Custodian that holds and maintains your investment assets. We urge you to carefully review such statements and compare the official custodial record with the Account statements that we provide you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. If you notice any discrepancies, please contact Mallery Financial.

## Item 16 – Investment Discretion

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We manage assets on a discretionary or non-discretionary basis. If you provide discretionary authority, which will be agreed upon and documented in the Investment Advisory Agreement, we will have the authority to determine the following without your consent:

- Securities to be bought or sold for your Account;
- Amount of securities to be bought or sold for your Account; and
- Timing of all securities transactions in your Account.

In all cases this discretion is exercised in a manner consistent with your stated investment objectives and risk tolerance for your Account and in accordance with any restrictions you have placed on your Account.

When Asset Management services are provided on a discretionary basis, you will enter into a separate custodial agreement with the Custodian. The custodial agreement will include a limited power of attorney to trade in your Account(s), which authorizes the Custodian to take instructions from us regarding all investment decisions for your Account.

If you do not give us the authority to manage your Account on a discretionary basis, then we cannot buy or sell any security in your Account without your prior, express permission. Please be advised that lack of discretionary trading authority could adversely affect our ability to take advantage of price swings when attempting to purchase or sell securities in your Account, especially in instances where we are not able to contact you in a timely manner.

When Asset Management services are provided on a non-discretionary basis, you will enter into a separate custodial agreement with the Custodian. The custodial agreement will include a limited power of attorney to trade in your Account(s), which authorizes the Custodian to take instructions from us only regarding trades approved by you.

Any third-party money manager and/or custodians will have discretion over your Account or their part of your Account. The Investment Advisory Agreement and ADV Part 2 of the third-party money manager and the custodial new account documentation will detail the terms of discretion.

## Item 17 – Voting Client Securities

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As a matter of policy and practice, we do not vote proxies on behalf of advisory clients. You retain the responsibility for receiving and voting proxies for any and all securities maintained in your portfolios. We may provide advice to you regarding your voting of proxies. The Custodian will forward you copies of all proxies and shareholder communications related to your Account assets.

## **Item 18 – Financial Information**

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We are required to provide you with certain financial information or disclosures about our financial condition. We have no financial commitment that would impair our ability to meet any contractual and fiduciary commitments to you, our client. We have not been the subject of any bankruptcy proceedings. In no event shall we charge advisory fees that are both in excess of \$500 and more than six months in advance of advisory services rendered.

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

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### **Principals**

There is one principal of Mallery Financial, Stephen Mallery. He is the CCO and was born in 1959. His education information, business background, and other business activities can be found in the Form ADV Part 2B Brochure Supplement.

### **Performance Fees**

We do not charge a performance-based fee (fees based on a share of capital gains on, or capital appreciation of, the assets of a client) for our normal asset management accounts.

### **Disclosable Events**

Neither Mallery Financial nor Stephen Mallery has any reportable events to disclose.

### **Other Relationships**

Neither Mallery Financial nor Stephen Mallery has any relationship with any issuer of securities.

## **ADV Part 2B Brochure Supplement – Stephen Mallery**

### **Item 1 – Cover Page**

**Stephen Arthur Mallery**

**CRD # 4720177**

**Mallery Financial LLC**

**4172 Kildare St.**

**Eugene, OR 97404**

**(541) 687-7678**

**October 21, 2023**

This Brochure supplement provides information about Stephen Mallery and supplements the Mallery Financial (“Mallery Financial”) Brochure. You should have received a copy of that Brochure. Please contact Stephen Mallery if you did not receive the Brochure or if you have any questions about the contents of this supplement.

Additional information about Stephen Mallery, CRD# 4720177, is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Educational Background and Business Experience

Full Legal Name: Stephen Arthur Mallery

Year of Birth: 1959

### Education

B.A., Journalism 1986  
University of Oregon, Eugene, OR

Fine Arts Studies  
Antioch College, Yellow Springs, OH

### Designations

AIF® (Accredited Investment Fiduciary) 2019  
Center for Fiduciary Studies, LLC (a Fiduciary  
360 [fi360] company)

LUTCF® (Life Underwriting Training Council Fellow) 2007  
The American College

### Minimum Designation Requirements

#### AIF® (Accredited Investment Fiduciary®)

To attain the right to use the Accredited Investment Fiduciary® and AIF® mark, an individual must fulfill the following requirements:

The AIF designation certifies the recipient's specialized knowledge of fiduciary standards of care and their application to the investment management process. To receive the AIF designation, individuals must complete a training program; successfully pass a comprehensive, closed-book final examination under the supervision of a proctor; and agree to abide by the AIF Code of Ethics. To maintain the AIF designation, the individual must annually renew their affirmation of the AIF Code of Ethics and complete six hours of continuing education credits. The certification is administered by the Center for Fiduciary Studies, LLC (a Fiduciary 360 [fi360] company).

Additional information regarding this designation is available by contacting the Center for Fiduciary Studies, LLC, at [www.fi360.com](http://www.fi360.com).

#### LUTCF® (Life Underwriter Training Council Fellow)

To attain the LUTCF® designation the insurance professional must be a member in good standing with NAIFA (National Association of Insurance and Financial Advisors), complete three eight-week courses, and pass a final exam for each course (online, proctored). The LUTCF® issuing organization (The College of Financial Planning) is accredited by the Higher Learning Commissions (HLC) and is a member of the North Central Association (NCA). Additional information regarding this designation is available and complaints may be submitted by email to [LUTCF@naifa.org](mailto:LUTCF@naifa.org).

### Business History

July 2020 – Present

CCO and Investment Advisor Representative at Mallery Financial, LLC

Aug 2013 – Oct 2020	Registered Representative and Investment Adviser Representative at KMS Financial Services, Inc.
May 2011 – Aug 2013	Registered Representative and Investment Adviser Representative at Woodbury Financial Services, Inc.
Sep 2010 – May 2011	Registered Representative at Woodbury Financial Services, Inc.

### **Item 3 – Disciplinary History**

Neither Mallery Financial nor Stephen Mallery has any disciplinary history to disclose.

### **Item 4 – Other Business Activities**

Stephen Mallery may recommend insurance products and may also, as an independent insurance agent, sell those recommended insurance products to Clients. When such recommendations or sales are made, a conflict of interest exists to the extent that the insurance-licensed investment adviser representative (IAR) earns insurance commissions for the sale of those products, which may create an incentive to recommend such products. We require that all IARs disclose this conflict of interest when such recommendations are made. Also, we require IARs to disclose that clients may purchase recommended insurance products from other insurance agents not affiliated with Mallery Financial.

### **Item 5 – Additional Compensation**

Stephen Mallery does not receive any other compensation from someone who is not a client for providing advisory services.

### **Item 6 – Supervision**

Stephen Mallery is the CCO and performs all supervisory duties for his firm.

### **Item 7 – Requirements for State-Registered Advisers**

Stephen Mallery has no reportable events to disclose here.