

## Introduction

We are Red Oak Capital Management, Inc., an investment adviser registered with the Securities and Exchange Commission. Investment advisory and brokerage services and fees differ, and it is important for you to understand the differences.

Free and simple tools are available to research firms and financial professionals at [Investor.gov/CRS](https://www.investor.gov/CRS), which also provides educational materials about broker-dealers, investment advisers, and investing. Our firm and financial professionals' registration information are also publicly available on this website.

## Relationships & Services

### Q: What investment services and advice can you provide me?

**A:** We offer customized investment advisory services to retail investors. We offer advice on a full suite of securities described in Item 8 of our Form ADV Part 2A ("**Disclosure Brochure**," available at [Investor.gov/CRS](https://www.investor.gov/CRS)), including equities, fixed income, mutual funds, ETFs, private placements, options, and similar investments. Our services are generally provided on a discretionary basis, which means that we have the power to buy and sell securities for your account without your prior consent. This authority is usually unlimited and remains in effect until you revoke it. We may provide non-discretionary investment advice, where we make investment recommendations to you and you decide whether to implement the recommendation.

We do not give advice on any proprietary investment products. We usually review portfolios at least annually. However, we do monitor accounts on a continuous basis and conduct ad hoc reviews if you change your objectives or risk tolerance, upon significant market and economic events, or if we change our investment strategy.

We do not require a minimum account size or fee.

### Q: Given my financial situation, should I choose an investment advisory service? Why or why not?

**A:** Advisory services are usually appropriate when you have a portfolio of securities for which you require ongoing advice. Investors who maintain few securities holdings and are not inclined to make changes to their portfolio are likely best suited for a traditional brokerage account with a FINRA-registered firm.

### Q: How will you choose investments to recommend to me?

**A:** We recommend investments based upon your individual circumstances, financial situation, expectation of current and future cash needs, investment objective, and risk tolerance. In addition, we attempt to identify those investments in which we expect to yield an acceptable level of return given the amount of risk you're willing to assume, taking into account the level of diversification and how different securities and asset classes may complement one another.

### Q: What is your relevant experience, including your licenses, education, and other qualifications?

**A:** Our financial advisors have been in the financial services industry for several years and maintain the Series 65 exam qualification or a professional designation accepted by the applicable state regulator. You can find information on any professional designations of your financial advisor in the Form ADV Part 2B ("**Brochure Supplement**") we provide you at the onset of the advisory relationship.

### Q: What do these qualifications mean?

**A:** These qualifications assure that our professionals have met specific regulatory exam requirements required to conduct investment activities (e.g., Series 65). In addition, professional certifications such as the CFP® require successful passing of the certification exam as well as rigorous continuing education requirements.

## Fees, Costs, Conflicts & Standard of Conduct

### Q: What fees will I pay?

**A:** Our asset-based fees are calculated as a percentage of the assets under our management, so our fees will rise and fall with the value of the assets we manage for you. As a result, we are economically incented to recommend that you place more assets in your account in order to increase the value of your portfolio, because as the value increases, so do our fees. While our fees may reduce the amount of your assets available for investment, we believe they are justified by our services and attention to your needs. Nonetheless, we are economically incented to recommend that you place more assets in your account in order to increase the value of your portfolio, because as the value increases, so do our fees. In addition to our fees, you may be charged transaction or asset-based fees by your custodian for its services. These fees vary depending on the custodian. Under a transaction fee arrangement, the more transactions effected in your account, the more fees you will pay, and high activity in your account does not assure positive portfolio performance. For custodians that charge their fees based upon a percentage of your assets, such fees may be more than would be the case if you are charged a transaction-based fee. Please be mindful of the effect of your portfolio size,

the level of activity, and the rate of custodian asset-based pricing. Generally, large portfolios would be disadvantaged by paying an asset-based custodian fee versus a transaction-based fee. Some securities carry additional costs, such as mutual funds and ETFs. In addition to advisory and transaction fees, there are additional fees such as postage and handling, transfer taxes, SEC fees for sales of securities, and similar fees. These additional fees are not material, but like advisory fees and custodian fees, they do have an adverse impact on the value of your portfolio over time. You can find more information about our fees and costs under Item 5 of our Disclosure Brochure.

**Q: Help me understand how these fees and costs might affect my investments. If I give you \$10,000 to invest, how much will go to fees and costs, and how much will be invested for me?**

**A:** We charge asset-based fees, so our fees are calculated as a percentage of the value of your portfolio we manage. For example, a \$10,000 investment at a 1% annual fee results in an annual deduction of \$100 from your portfolio (meaning only \$9,900 ends up invested). This means that it will take longer for you to realize positive returns than if no fees were charged. In this example, if you generated a 3% return, your net return would be 2%.

You will pay fees and costs whether you make or lose money on your investments. Fees and costs will reduce any amount of money you make on your investments over time. Please make sure you understand what fees and costs you are paying.

**Q: What are your legal obligations to me when acting as my investment adviser? How else does your firm make money and what conflicts of interest do you have?**

**A:** *When we act as your investment adviser*, we have to act in your best interest and not put our interests ahead of yours. At the same time, the way we make money creates some conflicts of interest. You should understand and ask us about these conflicts because they can affect the investment advice we provide you. Here is an example to help you understand what this means.

- Certain Red Oak professionals are licensed to sell insurance, which creates conflicts of interest regarding compensation.

**Q: How might your conflicts of interest affect me, and how will you address them?**

**A:** Conflicts of interest can incentivize us to put our interests ahead of yours. We manage these conflicts through disclosures and employing supervision procedures to ensure our financial advisors are acting in your best interest. If a financial advisor has outside business activities, it will be disclosed in their Brochure Supplement. Conflicts of interest are broadly defined, and you should consult with your financial advisor, as conflicts can impact our advice to you. Please see Items 10, 11, and 14 of our Disclosure Brochure as well as your financial advisor's Brochure Supplement for additional information about conflicts of interest.

**Q: How do your financial professionals make money?**

**A:** Our financial advisors are paid a percentage of the fees we collect from you. As a result, we are incentivized to recommend that you add additional assets to your account.

## Disciplinary History

**Q: Do you or your financial professionals have legal or disciplinary history?**

**A:** Yes, certain of our investment professionals were required by state regulatory authorities to undergo heightened supervision as a condition to their registration. You can visit [Investor.gov/CRS](http://Investor.gov/CRS) for a free and simple search tool to research our firm and our financial professionals. In addition, you may request a copy of your advisory professional's Part 2B Brochure Supplement.

## Additional Information

**Q: Who is my primary contact person?**

**A:** Your Red Oak financial advisor will be your primary point of contact. However, administrative requests may be handled by an administrative assistant or client service professional.

**Q: Is he or she a representative of an investment adviser or a broker-dealer?**

**A:** All professionals are licensed with Red Oak as investment adviser representatives.

**Q: Who can I talk to if I have concerns about how this person is treating me?**

**A:** In the event you have issues to be addressed, you may contact John Susin at 630-352-0051.

You can find additional information about our investment advisory services at [Investor.gov/CRS](http://Investor.gov/CRS). You may also request a printed copy of this Client Relationship Summary by contacting John Susin at 630-352-0051 or via email to [jsusin@redoakcapitalmanagement.com](mailto:jsusin@redoakcapitalmanagement.com)

## APPENDIX H: Privacy Notice

<b>FACTS</b>	<b>What Does Red Oak Capital Management, Inc. (“Red Oak”) Do With Your Personal Information?</b>
<b>The Law</b>	Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share and protect your personal information. Please read this notice carefully to understand what we do.
<b>Our Policy</b>	<p>The types of personal information we collect and share depend on the product or service you have with us. This information can include:</p> <ul style="list-style-type: none"> <li>• Income</li> <li>• Employment and residential information</li> <li>• Social security number</li> <li>• Cash balance</li> <li>• Security balances</li> <li>• Transaction detail history</li> <li>• Investment objectives, goals, and risk tolerance</li> </ul> <p>When you are <i>no longer</i> a client, we continue to share your information as described in this notice.</p>
<b>Your Rights</b>	All financial companies need to share customers’ personal information to run their everyday business. We list below the reasons financial companies can share their customers’ personal information; the reasons Red Oak chooses to share; and whether you can limit this sharing.
<b>Definitions</b>	
Everyday Business Purposes	The actions necessary by financial companies to run their business and manage customer accounts, such as providing investment advisory and financial planning advice, processing securities transactions, and otherwise providing financial services to you.
Affiliates	Companies related by common ownership or control. They can be financial and nonfinancial companies. Red Oak has the following affiliate(s) <ul style="list-style-type: none"> <li>• Typhon Capital Management, LLC</li> </ul>
Non-Affiliates	Companies not related by common ownership or control. They can be financial and nonfinancial companies. Red Oak does not share information with non-affiliates for marketing purposes.
Joint Marketing	A formal agreement between nonaffiliated financial companies that together market financial products or services to you. Red Oak does not engage in joint marketing with non-affiliates.

Reasons we can share your personal information	Does Red Oak share?	Can you limit this sharing?
For our everyday business purposes—such as to provide advice, process your transactions, and maintain your account(s)	Yes	No
For our marketing purposes—to offer our products and services to you	Yes	No
For joint marketing with other financial companies	No	We do not share
For our affiliates’ everyday business purposes—information about your transactions and experiences	No	We do not share
For our affiliates’ everyday business purposes—information about your creditworthiness	No	We do not share
For our affiliates to market to you	No	We do not share
For non-affiliates to market to you	No	We do not share
<b>Contact Us</b>	Call Red Oak at 630-352-0051	

<b>Sharing Practices</b>	
How often does Red Oak notify me about their practices?	We must notify you about our sharing practices when you become a client.
How does Red Oak protect my personal information?	To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.
How does Red Oak collect my personal information?	<p>We collect your personal information, for example, when you</p> <ul style="list-style-type: none"> <li>• establish an investment advisory relationship</li> <li>• contract for financial planning services</li> <li>• open an account or deposit money with custodians</li> <li>• purchase or sell securities with executing broker-dealers</li> </ul> <p>We also collect your personal information from others, such as custodians, broker-dealers, or other companies.</p>
Why can’t I limit all sharing?	<p>Federal law gives you the right to limit sharing only for</p> <ul style="list-style-type: none"> <li>• affiliates’ everyday business purposes—information about your creditworthiness</li> <li>• affiliates to market to you</li> <li>• non-affiliates to market to you</li> </ul> <p>State laws and individual companies may give you additional rights to limit sharing.</p>

If you would like a copy of the Red Oak Form ADV Part 2A and 2B, please send a written request to:

Red Oak Capital Management, Inc.  
1415 W 22<sup>nd</sup> Street  
Tower Floor  
Oak Brook, Illinois 60523

If you wish to modify or impose reasonable restrictions concerning the management of your account, or if your financial situation, investment objectives, or risk tolerance have changed, please contact your Red Oak investment advisor representative or contact John Susin at 630-352-0051. We will contact you at least annually to determine if your investment goals, objectives, and risk tolerance have changed.

We urge that you advise us immediately if you have not received your custodian or brokerage statement, which is required to be delivered to you no less frequently than quarterly. In addition, please compare any account information provided by us with account statements from your broker-dealer or custodian and to advise us of any discrepancies. The official record of your account is maintained by your broker-dealer or custodian. Thank you.

**Item 1: Cover Page**

**Part 2A of Form ADV  
Firm Brochure**

December 18, 2020

**Red Oak Capital Management, Inc.**

SEC No. 801-112768

1415 W 22<sup>nd</sup> Street  
Tower Floor  
Oak Brook, Illinois 60523

phone: 630-352-0051  
email: [jsusin@redoakcapitalmanagement.com](mailto:jsusin@redoakcapitalmanagement.com)  
website: [www.redoakcapitalmanagement.com](http://www.redoakcapitalmanagement.com)

This brochure provides information about the qualifications and business practices of Red Oak Capital Management, Inc. If you have any questions about the contents of this brochure, please contact us at 630-352-0051 or email to [jsusin@redoakcapitalmanagement.com](mailto:jsusin@redoakcapitalmanagement.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration with the SEC or state regulatory authority does not imply a certain level of skill or expertise.

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

## **Item 2: Material Changes**

This Firm Brochure is our disclosure document prepared according to regulatory requirements and rules. Consistent with the rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary. At this time there are no material changes from the last update of this disclosure statement issued on 06/22/2020.

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## Item 4: Advisory Business

### A. Description of Your Advisory Firm

Red Oak Capital Management, Inc. ("Red Oak" or the "firm") is a corporation organized in the state of Illinois. The firm was formed in September 2016, and the principal owner is John Susin.

### B. Advisory Services Offered

#### B.1. Portfolio Management Services

Red Oak offers ongoing portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. Red Oak creates an Investment Policy Statement for each client, which outlines the client's current situation (income, tax levels, and risk tolerance levels). Portfolio management services include, but are not limited to, the following:

- Investment strategy
- Asset Management
- Asset allocation
- Risk tolerance
- Personal investment policy
- Asset selection
- Regular portfolio monitoring

Red Oak evaluates the current investments of each client with respect to their risk tolerance levels and time horizon. For discretionary asset management services, Red Oak receives a limited power of attorney to effect securities transactions on behalf of its clients that include securities and strategies described in Item 8 of this brochure. Risk tolerance levels are documented in the Investment Policy Statement, which is given to each client.

Clients have the right to provide the firm with any reasonable investment restrictions that should be imposed on the management of their portfolio, and should promptly notify the firm in writing of any changes in such restrictions or in the client's personal financial circumstances, investment objectives, goals and tolerance for risk. Red Oak will remind clients of their obligation to inform the firm of any such changes or any restrictions that should be imposed on the management of the client's account. Red Oak will also contact clients at least annually to determine whether there have been any changes in a client's personal financial circumstances, investment objectives and tolerance for risk.

#### B.2. Selection of Other Advisers

Red Oak may allocate client investment assets to third-party money managers. Red Oak conducts due diligence on third-party managers prior to recommending such manager(s) to its advisory clients.

Although Red Oak will have discretionary authority to select the third-party money managers, the third-party manager will have discretionary authority only with respect to the client assets

allocated to its management. Red Oak assists the client in completing the client profile and selecting an adviser that best matches the client's investment objectives and goals.

### **B.3. Model Provider Services**

Red Oak may serve as a model provider to third-party investment adviser and broker-dealer firms. Red Oak pursuant to the terms of its model provider agreement will provide one or more of its model portfolios and updates to such models. The third-party investment advisers and broker-dealers shall have sole fiduciary obligations to the end client.

## **C. Client-Tailored Services and Client-Imposed Restrictions**

Each client's account will be managed on the basis of the client's financial situation and investment objectives and in accordance with any reasonable restrictions imposed by the client on the management of the account—for example, restricting the type or amount of security to be purchased in the portfolio.

## **D. Wrap Fee Programs**

Red Oak does not participate in wrap fee programs, where certain brokerage commissions and transaction costs are included in the asset-based fee charged to the client.

## **E. Client Assets Under Management**

As of December 31, 2019, Red Oak managed \$120,024,530 of discretionary assets and \$0 of non-discretionary assets.

## Item 5: Fees and Compensation

### A. Methods of Compensation and Fee Schedule

#### A.1. Portfolio Management Fees

The annual fee for portfolio management services will be charged as a percentage of assets under management according to the following fee schedule, which represents the firm's maximum fees for individual services. Fees are negotiable.

<u>Total Assets Under Management</u>	<u>Annual Fee</u>
All Assets	Up to 3.0%

Fees are subject to the portfolio management agreement between the client and Red Oak. Such fees are payable monthly or quarterly in advance or arrears. The advisory fee is calculated using the value of the assets in the Account on the last business day of the prior billing period. The fees will be prorated if the investment advisory relationship commences otherwise than at the beginning of a billing period. Certain model portfolios utilized for client assets, or recommended by a representative of Red Oak to the client, may include model portfolios for which a representative of Red Oak has created and for which a Red Oak representative receives separate compensation for managing. Client assets that are allocated into such portfolios may result in the client paying higher fees than the client otherwise would pay if the assets were allocated into portfolios or investments not created and managed by a representative of Red Oak.

Adjustments for significant contributions to a client's portfolio are prorated for the month or quarter in which the change occurs; no adjustments will be made for withdrawals. Red Oak may modify the fee at any time upon 30 days' written notice to the client. In the event the client has an ERISA-governed plan, fee modifications must be approved in writing by the client.

#### A.2. Third-Party Manager Fees

Red Oak will receive its standard investment advisory fee, and the fee paid to the third-party manager will be in addition to Red Oak's investment advisory fee. This relationship will be memorialized in each contract between Red Oak and each third-party manager.

Third-party managers may impose a minimum portfolio size, minimum fee, or otherwise condition the provision of investment advisory services. Please refer to such manager's ADV Part 2A Brochure for specific information.

### B. Client Payment of Fees

Subject to the portfolio management agreement, fees may be billed monthly or quarterly in advance or arrears as agreed upon with the advisory client. Red Oak requires clients to authorize the direct debit of fees from their accounts. Exceptions may be granted subject to the firm's consent for clients to be billed directly for our fees. For directly debited fees, the custodian's

periodic statements will show each fee deduction from the account. Clients may withdraw this authorization for direct billing of these fees at any time by notifying us or their custodian in writing.

Red Oak will deduct advisory fees directly from the client's account provided that (i) the client provides written authorization to the qualified custodian, and (ii) the qualified custodian sends the client a statement, at least quarterly, indicating all amounts disbursed from the account. The client is responsible for verifying the accuracy of the fee calculation, as the client's custodian will not verify the calculation.

A portfolio management agreement may be canceled by the client at any time upon written notice, or by Red Oak with 30 days' prior written notice to the client. Upon termination, any unearned, prepaid fees will be promptly refunded and any earned, unpaid fees will be immediately due and payable.

### **C. Additional Client Fees Charged**

All fees paid for investment advisory services are separate and distinct from the fees and expenses charged by exchange-traded funds, mutual funds, third-party managers, private funds, broker-dealers, and custodians retained by clients. Such fees and expenses are described in each exchange-traded fund and mutual fund's prospectus, each separate account manager's Form ADV and Brochure and Brochure Supplement or similar disclosure statement, private fund offering materials, and by any broker-dealer or custodian retained by the client. Clients are advised to read these materials carefully before investing. If a mutual fund also imposes sales charges, a client may pay an initial or deferred sales charge as further described in the mutual fund's prospectus. A client using Red Oak may be precluded from using certain mutual funds or separate account managers because they may not be offered by the client's custodian.

Please refer to the Brokerage Practices section (Item 12) for additional information regarding the firm's brokerage practices.

### **D. External Compensation for the Sale of Securities to Clients**

Red Oak's advisory professionals are compensated primarily through receipt of a portion of the collected client advisory fees. Red Oak's advisory professionals may receive commission-based compensation for the sale of insurance products. Please see Item 10.C. for detailed information and conflicts of interest.

### **E. Important Disclosure – Custodian Investment Programs**

Please be advised that the firm utilizes certain custodians/broker-dealers. Under these arrangements we can access certain investment programs offered through such custodian(s) that offer certain compensation and fee structures that create conflicts of interest of which clients need to be aware. Please note the following:

***Limitation on Mutual Fund Universe for Custodian Investment Programs:*** There are certain programs in which we participate where a client's investment options may be limited in certain

of these programs to those mutual funds and/or mutual fund share classes that pay 12b-1 fees and other revenue sharing fee payments, and the client should be aware that the firm is not selecting from among all mutual funds available in the marketplace when recommending mutual funds to the client.

***Conflict Between Revenue Share Class (12b-1) and Non-Revenue Share Class Mutual Funds:***

Revenue share class/12b-1 fees are deducted from the net asset value of the mutual fund and generally, all things being equal, cause the fund to earn lower rates of return than those mutual funds that do not pay revenue sharing fees. The client is under no obligation to utilize such programs or mutual funds. Although many factors will influence the type of fund to be used, the client should discuss with their investment adviser representative whether a share class from a comparable mutual fund with a more favorable return to investors is available that does not include the payment of any 12b-1 or revenue sharing fees given the client's individual needs and priorities and anticipated transaction costs. In addition, the receipt of such fees can create conflicts of interest in instances where the custodian receives the entirety of the 12b-1 and/or revenue sharing fees and takes the receipt of such fees into consideration in terms of benefits it may elect to provide to the firm, even though such benefits may or may not benefit some or all of the firm clients.

## **Item 6: Performance-Based Fees and Side-by-Side Management**

Red Oak does not charge performance-based fees and therefore has no economic incentive to manage clients' portfolios in any way other than what is in their best interests.

## Item 7: Types of Clients

Red Oak generally provides advisory services to the following types of clients:

- Individuals
- High-Net-Worth Individuals
- Trusts and estates
- Pension and profit sharing plans
- Charitable organizations
- Corporations and other business

Red Oak does not require a minimum account size. Third-party managers may impose account minimums; please refer to the third-party manager's disclosure brochure.

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

### A. Methods of Analysis and Investment Strategies

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear. There is no guarantee that any specific investment or strategy will be profitable for a particular client.**

#### A.1. Methods of Analysis

Red Oak uses a variety of sources of data to conduct its economic, investment and market analysis, which may include economic and market research materials prepared by others, conference calls hosted by individual companies or mutual funds, corporate rating services, annual reports, prospectuses, and company press releases, and financial newspapers and magazines. It is important to keep in mind that there is no specific approach to investing that guarantees success or positive returns; investing in securities involves risk of loss that clients should be prepared to bear.

Red Oak and its investment adviser representatives are responsible for identifying and implementing the methods of analysis used in formulating investment recommendations to clients. The methods of analysis may include quantitative methods for optimizing client portfolios, computer-based risk/return analysis, technical analysis, and statistical and/or computer models utilizing long-term economic criteria.

- Optimization involves the use of mathematical algorithms to determine the appropriate mix of assets given the firm's current capital market rate assessment and a particular client's risk tolerance.
- Quantitative methods include analysis of historical data such as price and volume statistics, performance data, standard deviation and related risk metrics, how the security performs relative to the overall stock market, earnings data, price to earnings ratios, and related data.
- Technical analysis involves charting price and volume data as reported by the exchange where the security is traded to look for price trends.
- Computer models may be used to derive the future value of a security based on assumptions of various data categories such as earnings, cash flow, profit margins, sales, and a variety of other company specific metrics.

In addition, Red Oak reviews research material prepared by others, as well as corporate filings, corporate rating services, and a variety of financial publications. Red Oak may employ outside vendors or utilize third-party software to assist in formulating investment recommendations to clients.

#### A.2. Model Portfolios

- *Multi-Asset ETF Model* seeks results by tactically trading exchange-traded funds and REITs in a wide variety of weighted sectors. The sectors are weighted on a discretionary basis and weightings are changed at the sole discretion of the manager. The sectors

focus on but are not constrained to cash, equity, real estate, and bonds. The model seeks to outperform the S&P Target Risk Moderate Index. The model is rebalanced quarterly.

- *Income ETF Model* seeks results using exchange-traded funds that are tactically traded by adjusting sector weighting in a broad variety of income producing ETFs. The sectors focus on but are not constrained to fixed income, corporate debt, real estate, and dividend-producing equity sectors. The weightings of the sectors are discretionary and can be changed at the sole discretion of the manager. The model seeks to outperform the Bloomberg Barclays US Aggregate Bond Index. The model rebalances quarterly.
- *Core-Satellite Model* attempts to achieve better performance than the S&P 500 index. The program invests in exchange-traded funds, but may invest in exchange-traded single name equities. The program reweights certain S&P sector ETFs and also invests in ETFs that may emphasize the components within those S&P sectors. The program is tactically traded, and weightings are determined at the sole discretion of the manager
- *Disruptive Innovation Model* seeks to achieve a higher average return than the NASDAQ index. The program invests in exchanged-traded equities that display strong earnings potential. The manager uses fundamental forecasts, earning forecasts, and revisions to filter his portfolio decisions. Weightings and investment decisions are tactical and done at the sole discretion of the manager. The program is an aggressive risk investment and not suitable for all investors.

### **A.3. Mutual Funds and Exchange-Traded Funds (“ETFs”), Individual Securities, and Third-Party Managers**

Red Oak may recommend “institutional share class” mutual funds, ETFs, and individual securities (including fixed income instruments). Red Oak may also assist the client in selecting one or more appropriate manager(s) for all or a portion of the client’s portfolio. Such managers will typically manage assets for clients who commit to the manager a minimum amount of assets established by that manager—a factor that Red Oak will take into account when recommending managers to clients.

A description of the criteria to be used in formulating an investment recommendation for mutual funds, ETFs, individual securities (including fixed-income securities), and managers is set forth below.

Red Oak has formed relationships with third-party vendors that

- provide a technological platform for separate account management
- prepare performance reports
- perform or distribute research of individual securities
- perform billing and certain other administrative tasks

Red Oak may utilize additional independent third parties to assist it in recommending and monitoring individual securities, mutual funds, and managers to clients as appropriate under the circumstances.

Red Oak reviews certain quantitative and qualitative criteria related to mutual funds and managers and to formulate investment recommendations to its clients. Quantitative criteria may include

- the performance history of a mutual fund or manager evaluated against that of its peers and other benchmarks
- an analysis of risk-adjusted returns
- an analysis of the manager's contribution to the investment return (e.g., manager's alpha), standard deviation of returns over specific time periods, sector and style analysis
- the fund, sub-advisor or manager's fee structure
- the relevant portfolio manager's tenure

Qualitative criteria used in selecting/recommending mutual funds or managers include the investment objectives and/or management style and philosophy of a mutual fund or manager; a mutual fund or manager's consistency of investment style; and employee turnover and efficiency and capacity.

Quantitative and qualitative criteria related to mutual funds and managers are reviewed by Red Oak on a quarterly basis or such other interval as appropriate under the circumstances. In addition, mutual funds or managers are reviewed to determine the extent to which their investments reflect efforts to time the market, or evidence style drift such that their portfolios no longer accurately reflect the particular asset category attributed to the mutual fund or manager by Red Oak (both of which are negative factors in implementing an asset allocation structure).

Red Oak may negotiate reduced account minimum balances and reduced fees with managers under various circumstances (e.g., for clients with minimum level of assets committed to the manager for specific periods of time, etc.). There can be no assurance that clients will receive any reduced account minimum balances or fees, or that all clients, even if apparently similarly situated, will receive any reduced account minimum balances or fees available to some other clients. Also, account minimum balances and fees may significantly differ between clients. Each client's individual needs and circumstances will determine portfolio weighting, which can have an impact on fees given the funds or managers utilized. Red Oak will endeavor to obtain equal treatment for its clients with funds or managers, but cannot assure equal treatment.

Red Oak will regularly review the activities of mutual funds and managers utilized for the client. Clients that engage managers or who invest in mutual funds should first review and understand the disclosure documents of those managers or mutual funds, which contain information relevant to such retention or investment, including information on the methodology used to analyze securities, investment strategies, fees and conflicts of interest.

#### **A.4. Material Risks of Investment Instruments**

Red Oak may invest in open-end mutual funds and exchange-traded funds for the vast majority of its clients. In addition, for certain clients, Red Oak may effect transactions in the following types of securities:

- Equity securities

- Mutual fund securities
- Exchange-traded funds
- Leveraged and inverse exchange-traded funds
- Exchange-traded notes
- Fixed income securities
- Private placements
- Corporate debt obligations
- Fixed equity annuities
- Fixed equity indexed annuities
- Real Estate Investment Trusts (“REITs”)

#### **A.4.a. Equity Securities**

Investing in individual companies involves inherent risk. The major risks relate to the company’s capitalization, quality of the company’s management, quality and cost of the company’s services, the company’s ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk, and the company’s ability to create shareholder value (i.e., increase the value of the company’s stock price). Foreign securities, in addition to the general risks of equity securities, have geopolitical risk, financial transparency risk, currency risk, regulatory risk and liquidity risk.

#### **A.4.b. Mutual Fund Securities**

Investing in mutual funds carries inherent risk. The major risks of investing in a mutual fund include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification, and the type and amount of sector diversification within specific industries. In addition, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold the fund.

#### **A.4.c. Exchange-Traded Funds (“ETFs”)**

ETFs are investment companies whose shares are bought and sold on a securities exchange. An ETF holds a portfolio of securities designed to track a particular market segment or index. Some examples of ETFs are SPDRs<sup>®</sup>, streetTRACKS<sup>®</sup>, DIAMONDS<sup>SM</sup>, NASDAQ 100 Index Tracking Stock<sup>SM</sup> (“QQQs<sup>SM</sup>”) iShares<sup>®</sup> and VIPERs<sup>®</sup>. ETFs have embedded expenses that the client indirectly bears.

Investing in ETFs involves risk. Specifically, ETFs, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price movement of the ETF or enhancing any downward price movement. Also, ETFs require more frequent portfolio reporting by regulators and are thereby more susceptible to actions by hedge funds that could have a negative impact on the price of the ETF. Certain ETFs may

employ leverage, which creates additional volatility and price risk depending on the amount of leverage utilized, the collateral and the liquidity of the supporting collateral.

Further, the use of leverage (i.e., employing the use of margin) generally results in additional interest costs to the ETF. Certain ETFs are highly leveraged and therefore have additional volatility and liquidity risk. Volatility and liquidity can severely and negatively impact the price of the ETF's underlying portfolio securities, thereby causing significant price fluctuations of the ETF.

#### **A.4.d. Leveraged and Inverse Exchange-Traded Funds ("ETFs")**

Leveraged ETFs employ financial derivatives and debt to try to achieve a multiple (for example two or three times) of the return or inverse return of a stated index or benchmark over the course of a single day. The use of leverage typically increases risk for an investor. However, unlike utilizing margin or shorting securities in your own account, you cannot lose more than your original investment. An inverse ETF is designed to track, on a daily basis, the inverse of its benchmark. Inverse ETFs utilize short selling, derivatives trading, and other leveraged investment techniques, such as futures trading to achieve their objectives. Leverage and inverse ETFs reset each day; as such, their performance can quickly diverge from the performance of the underlying index or benchmark. An investor could suffer significant losses even if the long-term performance of the index showed a gain. Engaging in short sales and using swaps, futures, contracts, and other derivatives can expose the ETF.

There is always a risk that not every leveraged or inverse ETF will meet its stated objective on any given trading day. An investor should understand the impact an investment in the ETF could have on the performance of their portfolio, taking into consideration goals and tolerance for risk. Leveraged or inverse ETFs may be less tax-efficient than traditional ETFs, in part because daily resets can cause the ETF to realize significant short-term capital gains that may not be offset by a loss. Be sure to check with your tax advisor about the consequences of investing in a leveraged or inverse ETF. Leveraged and Inverse ETFs are not suited for long-term investment strategies. These are not appropriate for buy-and-hold or conservative investors and are more suitable for investors who understand leverage and are willing to assume the risk of magnified potential losses. These funds tend to carry higher fees, due to active management, that can also affect performance.

#### **A.4.e. Exchange-Traded Notes ("ETN")**

ETNs are structured debt securities. ETN liabilities are unsecured general obligations of the issuer. Most ETNs are designed to track a particular market segment or index. ETNs have expenses associated with their operation. When a fund invests in an ETN, in addition to directly bearing expenses associated with its own operations, it will bear its pro rata portion of the ETN's expenses. The risks of owning an ETN generally reflect the risks of owning the underlying securities the ETN is designed to track, although lack of liquidity in an ETN could result in it being more volatile than the underlying portfolio of securities. In addition, because of ETN expenses, compared to owning the underlying securities directly it may be more costly to own an ETN. The value of an ETN security should also be expected to fluctuate with the credit rating of the issuer.

#### **A.4.f. Fixed Income Securities**

Fixed income securities carry additional risks than those of equity securities described above. These risks include the company's ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S or foreign) and currency risk. If bonds have maturities of ten years or greater, they will likely have greater price swings when interest rates move up or down. The shorter the maturity the less volatile the price swings. Foreign bonds have liquidity and currency risk.

#### **A.4.g. Private Placements**

Private placements carry significant risk in that companies using the private placement market conduct securities offerings that are exempt from registration under the federal securities laws, which means that investors do not have access to public information and such investors are not provided with the same amount of information that they would receive if the securities offering was a public offering. Moreover, many companies using private placements do so to raise equity capital in the start-up phase of their business, or require additional capital to complete another phase in their growth objective. In addition, the securities issued in connection with private placements are restricted securities, which means that they are not traded on a secondary market, such as a stock exchange, and they are thus illiquid and cannot be readily converted to cash.

#### **A.4.h. Corporate Debt Obligations**

Corporate debt obligations include corporate bonds, debentures, notes, commercial paper and other similar corporate debt instruments. Companies use these instruments to borrow money from investors. The issuer pays the investor a fixed or variable rate of interest and must repay the amount borrowed at maturity. Commercial paper (short-term unsecured promissory notes) is issued by companies to finance their current obligations and normally has a maturity of less than nine months. In addition, the firm may also invest in corporate debt securities registered and sold in the United States by foreign issuers (Yankee bonds) and those sold outside the U.S. by foreign or U.S. issuers (Eurobonds).

#### **A.4.i. Fixed Equity Annuities**

A fixed annuity is a contract between an insurance company and a customer, typically called the annuitant. The contract obligates the company to make a series of fixed annuity payments to the annuitant for the duration of the contract. The annuitant surrenders a lump sum of cash in exchange for monthly payments that are guaranteed by the insurance company. Please note the following risks: (i) Spending power risk. Social Security retirement benefits have cost-of-living adjustments. Most fixed annuities do not. Consequently, the spending power provided by the monthly payment may decline significantly over the life of the annuity contract because of inflation, (ii) Death and survivorship risk. In a conventional fixed annuity, once the annuitant has turned over a lump sum premium to the insurance company, it will not be returned. The annuitant could die after receiving only a few monthly payments, but the insurance company may not be obligated to give the annuitant's estate any of the money back. A related risk is

based on the financial consequences for a surviving spouse. In a standard single-life annuity contract, a survivor receives nothing after the annuitant dies. That may put a severe dent in a spouse's retirement income. To counteract this risk, consider a joint life annuity. (iii) Company failure risk. Private annuity contracts are not guaranteed by the FDIC, SIPC, or any other federal agency. If the insurance company that issues an annuity contract fails, no one in the federal government is obligated to protect the annuitant from financial loss. Most states have guaranty associations that provide a level of protection to citizens in that state if an insurance company also doing business in that state fails. A typical limit of state protection, if it applies at all, is \$100,000. To control this risk, contact the state insurance commissioner to confirm that your state has a guaranty association and to learn the guarantee limits applicable to a fixed annuity contract. Based on that information, consider dividing fixed annuity contracts among multiple insurance companies to obtain the maximum possible protection. Also check the financial stability and credit ratings of the annuity insurance companies being considered. A.M. Best and Standard & Poor's publish ratings information.

#### **A.4.j. Fixed Equity Indexed Annuities**

An equity-indexed annuity is a type of fixed annuity that is distinguished by the interest yield return being partially based on an equities index, typically the S&P 500. The returns (in the form of interest credited to the contract) can consist of a guaranteed minimum interest rate and an interest rate linked to a market index. The guaranteed minimum interest rate usually ranges from 1 to 3 percent on at least 87.5 percent of the premium paid. As long as the company offering the annuity is fiscally sound enough to meet its obligations, you will be guaranteed to receive this return no matter how the market performs. Your index-linked returns will depend on how the index performs but, generally speaking, an investor with an indexed annuity will not see his or her rate of return fully match the positive rate of return of the index to which the annuity is linked — and could be significantly less. One major reason for this is that returns are subject to contractual limitations in the form of caps and participation rates. Participation rates are the percentage of an index's returns that are credited to the annuity. For instance, if your annuity has a participation rate of 75 percent, then your index-linked returns would only amount to 75 percent of the gains associated with the index. Interest caps, meanwhile, essentially mean that during big bull markets, investors won't see their returns go sky-high. For instance, if an index rises 12 percent, but an investor's annuity has a cap of 7 percent, his or her returns will be limited to 7 percent.

Some indexed annuity contracts allow the issuer to change these fees, participation rates and caps from time to time. Investors should also be aware that trying to withdraw the principal amount from a fixed indexed annuity during a certain period — usually within the first 9 or 10 years after the annuity was purchased — can result in fees known as surrender charges, and could also trigger tax penalties. In fact, under some contracts if withdrawals are taken amounts already credited will be forfeited. After paying surrender charges an investor could lose money by surrendering their indexed annuity too soon.

#### **A.4.k. Real Estate Investment Trusts (“REITs”)**

A REIT is a tax designation for a corporate entity which pools capital of many investors to purchase and manage real estate. Many REITs invest in income-producing properties in the office, industrial, retail, and residential real estate sectors. REITs are granted special tax considerations, which can significantly reduce or eliminate corporate income taxes. In order to qualify as a REIT and for these special tax considerations, REITs are required by law to distribute 90% of their taxable income to investors. REITs can be traded on a public exchange like a stock, or be offered as a non-traded REIT. REITs, both public exchange-traded and non-traded, are subject to risks including volatile fluctuations in real estate prices, as well as fluctuations in the costs of operating or managing investment properties, which can be substantial. Many REITs obtain management and operational services from companies and service providers that are directly or indirectly related to the sponsor of the REIT, which presents a potential conflict of interest that can impact returns on investments.

Non-traded REITs include: (i) A REIT that is registered with the Securities and Exchange Commission (SEC) but is not listed on an exchange or over-the-counter market (non-exchange traded REIT); or, (i) a REIT that is sold pursuant to an exemption to registration (Private REIT). Non-traded REITs are generally blind pool investment vehicles. Blind pools are limited partnerships that do not explicitly state their future investments prior to beginning their capital-raising phase. During this period of capital-raising, non-traded REITs often pay distributions to their investors.

The risks of non-traded REITs are varied and significant. Because they are not exchange-traded investments, they often lack a developed secondary market, thus making them illiquid investments. As blind pool investment vehicles, non-traded REITs' initial share prices are not related to the underlying value of the properties. This is because non-traded REITs begin and continue to purchase new properties as new capital is raised. Thus, one risk for non-traded REITs is the possibility that the blind pool will be unable to raise enough capital to carry out its investment plan. After the capital raising phase is complete, non-traded REIT shares are infrequently re-valued and thus may not reflect the true net asset value of the underlying real estate investments. Non-traded REITs often offer investors a redemption program where the shares can be sold back to the sponsor; however, those redemption programs are often subject to restrictions and may be suspended at the sponsor's discretion. While non-traded REITs may pay distributions to investors at a stated target rate during the capital-raising phases, the funds used to pay such distributions may be obtained from sources other than cash flow from operations, and such financing can increase operating costs.

With respect to publicly traded REITs, publicly traded REITs may be subject to additional risks and price fluctuations in the public market due to investors' expectations of the individual REIT, the real estate market generally, specific sectors, the current yield on such REIT, and the current liquidity available in public market. Although publicly traded REITs offer investors liquidity, there can be constraints based upon current supply and demand. An investor when liquidating may receive less than the intrinsic value of the REIT.

## **B. Investment Strategy and Method of Analysis Material Risks**

Our investment strategy is custom-tailored to the client's goals, investment objectives, risk tolerance, and personal and financial circumstances.

### **B.1. Margin Leverage**

Although Red Oak, as a general business practice, does not utilize leverage, there may be instances in which exchange-traded funds, other separate account managers and, in very limited circumstances, Red Oak will utilize leverage. In this regard please review the following:

The use of margin leverage enhances the overall risk of investment gain and loss to the client's investment portfolio. For example, investors are able to control \$2 of a security for \$1. So if the price of a security rises by \$1, the investor earns a 100% return on their investment. Conversely, if the security declines by \$.50, then the investor loses 50% of their investment.

The use of margin leverage entails borrowing, which results in additional interest costs to the investor.

Broker-dealers who carry customer accounts require a minimum equity requirement when clients utilize margin leverage. The minimum equity requirement is stated as a percentage of the value of the underlying collateral security with an absolute minimum dollar requirement. For example, if the price of a security declines in value to the point where the excess equity used to satisfy the minimum requirement dissipates, the broker-dealer will require the client to deposit additional collateral to the account in the form of cash or marketable securities. A deposit of securities to the account will require a larger deposit, as the security being deposited is included in the computation of the minimum equity requirement. In addition, when leverage is utilized and the client needs to withdraw cash, the client must sell a disproportionate amount of collateral securities to release enough cash to satisfy the withdrawal amount based upon similar reasoning as cited above.

Regulations concerning the use of margin leverage are established by the Federal Reserve Board and vary if the client's account is held at a broker-dealer versus a bank custodian. Broker-dealers and bank custodians may apply more stringent rules as they deem necessary.

### **B.2. Short-Term Trading**

Although Red Oak, as a general business practice, does not utilize short-term trading, there may be instances in which short-term trading may be necessary or an appropriate strategy. In this regard, please read the following:

There is an inherent risk for clients who trade frequently in that high-frequency trading creates substantial transaction costs that in the aggregate could negatively impact account performance.

### **B.3. Short Selling**

Red Oak generally does not engage in short selling but reserves the right to do so in the exercise of its sole judgment. Short selling involves the sale of a security that is borrowed rather

than owned. When a short sale is effected, the investor is expecting the price of the security to decline in value so that a purchase or closeout of the short sale can be effected at a significantly lower price. The primary risks of effecting short sales is the availability to borrow the stock, the unlimited potential for loss, and the requirement to fund any difference between the short credit balance and the market value of the security.

#### **B.4. Technical Trading Models**

Technical trading models are mathematically driven based upon historical data and trends of domestic and foreign market trading activity, including various industry and sector trading statistics within such markets. Technical trading models, through mathematical algorithms, attempt to identify when markets are likely to increase or decrease and identify appropriate entry and exit points. The primary risk of technical trading models is that historical trends and past performance cannot predict future trends, and there is no assurance that the mathematical algorithms employed are designed properly, updated with new data, and can accurately predict future market, industry, and sector performance.

#### **B.5. Option Strategies**

Various option strategies give the holder the right to acquire or sell underlying securities at the contract strike price up until expiration of the option. Each contract is worth 100 shares of the underlying security. Options entail greater risk but allow an investor to have market exposure to a particular security or group of securities without the capital commitment required to purchase the underlying security or groups of securities. In addition, options allow investors to hedge security positions held in the portfolio. For detailed information on the use of options and option strategies, please contact the Options Clearing Corporation for the current Options Risk Disclosure Statement.

Red Oak as part of its investment strategy may employ the following option strategies:

- Covered call writing
- Long call options purchases
- Long put options purchases
- Option spreading

##### **B.5.a. Covered Call Writing**

Covered call writing is the sale of in-, at-, or out-of-the-money call option against a long security position held in the client portfolio. This type of transaction is used to generate income. It also serves to create downside protection in the event the security position declines in value. Income is received from the proceeds of the option sale. Such income may be reduced to the extent it is necessary to buy back the option position prior to its expiration. This strategy may involve a degree of trading velocity, transaction costs and significant losses if the underlying security has volatile price movement. Covered call strategies are generally suited for companies with little price volatility.

#### **B.5.b. Long Call Option Purchases**

Long call option purchases allow the option holder to be exposed to the general market characteristics of a security without the outlay of capital necessary to own the security. Options are wasting assets and expire (usually within nine months of issuance), and as a result can expose the investor to significant loss.

#### **B.5.c. Long Put Option Purchases**

Long put option purchases allow the option holder to sell or “put” the underlying security at the contract strike price at a future date. If the price of the underlying security declines in value, the value of the long put option increases. In this way long puts are often used to hedge a long stock position. Options are wasting assets and expire (usually within nine months of issuance), and as a result can expose the investor to significant loss.

#### **B.5.d. Option Spreading**

Option spreading usually involves the purchase of a call option and the sale of a call option at a higher contract strike price, both having the same expiration month. The purpose of this type of transaction is to allow the holder to be exposed to the general market characteristics of a security without the outlay of capital to own the security, and to offset the cost by selling the call option with a higher contract strike price. In this type of transaction, the spread holder “locks in” a maximum profit, defined as the difference in contract prices reduced by the net cost of implementing the spread. There are many variations of option spreading strategies; please contact the Options Clearing Corporation for a current Options Risk Disclosure Statement that discusses each of these strategies.

### **C. Security-Specific Material Risks**

There is an inherent risk for clients who have their investment portfolios heavily weighted in one security, one industry or industry sector, one geographic location, one investment manager, one type of investment instrument (equities versus fixed income). Clients who have diversified portfolios, as a general rule, incur less volatility and therefore less fluctuation in portfolio value than those who have concentrated holdings. Concentrated holdings may offer the potential for higher gain, but also offer the potential for significant loss.

## **Item 9: Disciplinary Information**

### **A. Criminal or Civil Actions**

There is nothing to report on this item.

### **B. Administrative Enforcement Proceedings**

There is nothing to report on this item.

### **C. Self-Regulatory Organization Enforcement Proceedings**

There is nothing to report on this item.

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

### **A. Broker-Dealer or Representative Registration**

Neither Red Oak nor its affiliates, employees, or independent contractors are registered broker-dealers and do not have an application to register pending.

### **B. Futures or Commodity Registration**

Neither Red Oak nor its affiliates are registered as a commodity firm, futures commission merchant, commodity pool operator or commodity trading advisor and do not have an application to register pending.

### **C. Material Relationships Maintained by this Advisory Business and Conflicts of Interest**

#### **C.1. Insurance Sales**

Certain managers, members, and registered employees of Red Oak are licensed insurance agents and may recommend insurance products offered by such carriers for whom they function as an agent and receive a commission for doing so. Please be advised there is a conflict of interest in that there is an economic incentive to recommend insurance and other products of such carriers. Please also be advised that Red Oak strives to put its clients' interests first and foremost.

#### **C.2. Typhon Capital Management, LLC**

Jack Susin has an equity share in Typhon Capital Management, LLC, a CPO and CTA. As such, please be advised there is a conflict of interest in that Red Oak and specifically Jack Susin have an economic interest in recommending products managed by Typhon. Please be advised that clients are under no obligation to allocate assets to Typhon or any other manager or product.

#### **C.3. Tax Preparation Services**

Thomas Connors provides tax preparation services through Island Financial Advisors. Please be advised there is a conflict of interest in that Red Oak clients may be referred to Mr. Connors for such services. Red Oak strives to put its clients' interests first and foremost, and clients are under no obligation to use the tax preparation services of Mr. Connors.

### **D. Recommendation or Selection of Other Investment Advisors and Conflicts of Interest**

Although Red Oak does not receive any remuneration from advisers, investment managers, or other service providers that it recommends to clients, the firm may engage sub-advisers to manage Red Oak client accounts and receives a portion of the advisory fees charged by Red Oak for its investment management services.

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

### **A. Code of Ethics Description**

In accordance with the Advisers Act, Red Oak has adopted policies and procedures designed to detect and prevent insider trading. In addition, Red Oak has adopted a Code of Ethics (the "Code"). Among other things, the Code includes written procedures governing the conduct of Red Oak's advisory and access persons. The Code also imposes certain reporting obligations on persons subject to the Code. The Code and applicable securities transactions are monitored by the chief compliance officer of Red Oak. Red Oak will send clients a copy of its Code of Ethics upon written request.

Red Oak has policies and procedures in place to ensure that the interests of its clients are given preference over those of Red Oak, its affiliates and its employees. For example, there are policies in place to prevent the misappropriation of material non-public information, and such other policies and procedures reasonably designed to comply with federal and state securities laws.

### **B. Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest**

Red Oak does not engage in principal trading (i.e., the practice of selling stock to advisory clients from a firm's inventory or buying stocks from advisory clients into a firm's inventory). In addition, Red Oak does not recommend any securities to advisory clients in which it has some proprietary or ownership interest.

### **C. Advisory Firm Purchase or Sale of Same Securities Recommended to Clients and Conflicts of Interest**

Red Oak, its affiliates, employees and their families, trusts, estates, charitable organizations and retirement plans established by it may purchase or sell the same securities as are purchased or sold for clients in accordance with its Code of Ethics policies and procedures. The personal securities transactions by advisory representatives and employees may raise potential conflicts of interest when they trade in a security that is:

- owned by the client, or
- considered for purchase or sale for the client.

Such conflict generally refers to the practice of front-running (trading ahead of the client), which Red Oak specifically prohibits. Red Oak has adopted policies and procedures that are intended to address these conflicts of interest. These policies and procedures:

- require our advisory representatives and employees to act in the client's best interest
- prohibit fraudulent conduct in connection with the trading of securities in a client account

- prohibit employees from personally benefitting by causing a client to act, or fail to act in making investment decisions
- prohibit the firm or its employees from profiting or causing others to profit on knowledge of completed or contemplated client transactions
- allocate investment opportunities in a fair and equitable manner
- provide for the review of transactions to discover and correct any trades that result in an advisory representative or employee benefitting at the expense of a client.

Advisory representatives and employees must follow Red Oak's procedures when purchasing or selling the same securities purchased or sold for the client.

#### **D. Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest**

Red Oak, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may effect securities transactions for their own accounts that differ from those recommended or effected for other Red Oak clients. Red Oak will make a reasonable attempt to trade securities in client accounts at or prior to trading the securities in its affiliate, corporate, employee or employee-related accounts. Trades executed the same day will likely be subject to an average pricing calculation. It is the policy of Red Oak to place the clients' interests above those of Red Oak and its employees.

## Item 12: Brokerage Practices

### A. Factors Used to Select Broker-Dealers for Client Transactions

#### A.1. Custodian Recommendations

Red Oak may recommend that clients establish brokerage accounts with Schwab Institutional, a division of Charles Schwab & Co., Inc., Interactive Brokers LLC, or Raymond James Financial Services, Inc. (hereinafter collectively referred to as "custodian"), FINRA registered broker-dealers, members SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although Red Oak may recommend that clients establish accounts at the custodian, it is the client's decision to custody assets with the custodian. Red Oak is independently owned and operated and not affiliated with custodian. For Red Oak client accounts maintained in its custody, the custodian generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through the custodian or that settle into custodian accounts.

Red Oak considers the financial strength, reputation, operational efficiency, cost, execution capability, level of customer service, and related factors in recommending broker-dealers or custodians to advisory clients.

In certain instances and subject to approval by Red Oak, Red Oak will recommend to clients certain other broker-dealers and/or custodians based on the needs of the individual client, and taking into consideration the nature of the services required, the experience of the broker-dealer or custodian, the cost and quality of the services, and the reputation of the broker-dealer or custodian. The final determination to engage a broker-dealer or custodian recommended by Red Oak will be made by and in the sole discretion of the client. The client recognizes that broker-dealers and/or custodians have different cost and fee structures and trade execution capabilities. As a result, there may be disparities with respect to the cost of services and/or the transaction prices for securities transactions executed on behalf of the client. Clients are responsible for assessing the commissions and other costs charged by broker-dealers and/or custodians.

##### A.1.a. How We Select Brokers/Custodians to Recommend

Red Oak seeks to recommend a custodian/broker who will hold client assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others, the following:

- combination of transaction execution services along with asset custody services (generally without a separate fee for custody)
- capability to execute, clear, and settle trades (buy and sell securities for client accounts)
- capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)

- breadth of investment products made available (stocks, bonds, mutual funds, exchange-traded funds (ETFs), etc.)
- availability of investment research and tools that assist us in making investment decisions
- quality of services
- competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them
- reputation, financial strength, and stability of the provider
- their prior service to us and our other clients
- availability of other products and services that benefit us, as discussed below

#### **A.1.b. Client's Custody and Brokerage Costs**

For client accounts that the firm maintains, the custodian generally does not charge clients separately for custody services but is compensated by charging either transaction fees or custodian asset-based fees on trades that it executes or that settle into the custodian's accounts. The custodian's commission rates applicable to the firm's client accounts were negotiated based on the firm's commitment to maintain a certain minimum amount of client assets at the custodian. This commitment benefits the client because the overall commission rates paid are lower than they would be if the firm had not made the commitment. In addition to commissions, the custodian charges a flat dollar amount as a "prime broker" or "trade away" fee for each trade that the firm has executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into the client's custodian account. These fees are in addition to the commissions or other compensation the client pays the executing broker-dealer. Because of this, in order to minimize the client's trading costs, the firm has the custodian execute most trades for the account.

#### **A.1.c. Soft Dollar Arrangements**

Red Oak does not utilize soft dollar arrangements. Red Oak does not direct brokerage transactions to executing brokers for research and brokerage services.

#### **A.1.d. Institutional Trading and Custody Services**

The custodian provides Red Oak with access to its institutional trading and custody services, which are typically not available to the custodian's retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a certain minimum amount of the advisor's clients' assets are maintained in accounts at a particular custodian. The custodian's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

**A.1.e. Other Products and Services**

Custodian also makes available to Red Oak other products and services that benefit Red Oak but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of Red Oak's accounts, including accounts not maintained at custodian. The custodian may also make available to Red Oak software and other technology that

- provide access to client account data (such as trade confirmations and account statements)
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- provide research, pricing and other market data
- facilitate payment of Red Oak's fees from its clients' accounts
- assist with back-office functions, recordkeeping and client reporting

The custodian may also offer other services intended to help Red Oak manage and further develop its business enterprise. These services may include

- compliance, legal and business consulting
- publications and conferences on practice management and business succession
- access to employee benefits providers, human capital consultants and insurance providers

The custodian may also provide other benefits such as educational events or occasional business entertainment of Red Oak personnel. In evaluating whether to recommend that clients custody their assets at the custodian, Red Oak may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers, and not solely the nature, cost or quality of custody and brokerage services provided by the custodian, which may create a potential conflict of interest.

**A.1.f. Independent Third Parties**

The custodian may make available, arrange, and/or pay third-party vendors for the types of services rendered to Red Oak. The custodian may discount or waive fees it would otherwise charge for some of these services or all or a part of the fees of a third party providing these services to Red Oak.

**A.1.g. Additional Compensation Received from Custodians**

Red Oak may participate in institutional customer programs sponsored by broker-dealers or custodians. Red Oak may recommend these broker-dealers or custodians to clients for custody and brokerage services. There is no direct link between Red Oak's participation in such programs and the investment advice it gives to its clients, although Red Oak receives economic benefits through its participation in the programs that are typically not available to retail investors. These benefits may 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 Red Oak 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
- Discounts on compliance, marketing, research, technology, and practice management products or services provided to Red Oak by third-party vendors

The custodian may also pay for business consulting and professional services received by Red Oak's related persons, and may pay or reimburse expenses (including client transition expenses, travel, lodging, meals and entertainment expenses for Red Oak's personnel to attend conferences). Some of the products and services made available by such custodian through its institutional customer programs may benefit Red Oak but may not benefit its client accounts. These products or services may assist Red Oak in managing and administering client accounts, including accounts not maintained at the custodian as applicable. Other services made available through the programs are intended to help Red Oak manage and further develop its business enterprise. The benefits received by Red Oak or its personnel through participation in these programs do not depend on the amount of brokerage transactions directed to the broker-dealer.

Red Oak also participates in similar institutional advisor programs offered by other independent broker-dealers or trust companies, and its continued participation may require Red Oak to maintain a predetermined level of assets at such firms. In connection with its participation in such programs, Red Oak will typically receive benefits similar to those listed above, including research, payments for business consulting and professional services received by Red Oak's related persons, and reimbursement of expenses (including travel, lodging, meals and entertainment expenses for Red Oak's personnel to attend conferences sponsored by the broker-dealer or trust company).

As part of its fiduciary duties to clients, Red Oak endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Red Oak or its related persons in and of itself creates a potential conflict of interest and may indirectly influence Red Oak's recommendation of broker-dealers for custody and brokerage services.

#### **A.1.h. The Firm's Interest in Custodian's Services**

The availability of these services from the custodian benefits the firm because the firm does not have to produce or purchase them. These services are not contingent upon the firm committing any specific amount of business to the custodian in trading commissions or assets

in custody. This minimum of client assets may give the firm an incentive to recommend that clients maintain their accounts with the custodian based on the firm's interest in receiving the custodian's services that benefit the firm's business rather than based on the client's interest in receiving the best value in custody services and the most favorable execution of client transactions. This is a potential conflict of interest. The firm believes, however, that the selection of the custodian as custodian and broker is in the best interest of clients. It is primarily supported by the scope, quality, and price of the custodian's services and not the custodian's services that benefit only the firm.

## **A.2. Brokerage for Client Referrals**

Red Oak does not engage in the practice of directing brokerage commissions in exchange for the referral of advisory clients.

## **A.3. Directed Brokerage**

### **A.3.a. Red Oak Recommendations**

Red Oak typically recommends Schwab Institutional, Interactive Brokers LLC, or Raymond James Financial Services, Inc. as custodian for clients' funds and securities and to execute securities transactions on its clients' behalf.

### **A.3.b. Client-Directed Brokerage**

Occasionally, clients may direct Red Oak to use a particular broker-dealer to execute portfolio transactions for their account or request that certain types of securities not be purchased for their account. Clients who designate the use of a particular broker-dealer should be aware that they will lose any possible advantage Red Oak derives from aggregating transactions. Such client trades are typically effected after the trades of clients who have not directed the use of a particular broker-dealer. Red Oak loses the ability to aggregate trades with other Red Oak advisory clients, potentially subjecting the client to inferior trade execution prices as well as higher commissions.

## **B. Aggregating Securities Transactions for Client Accounts**

### **B.1. Best Execution**

Red Oak, pursuant to the terms of its investment advisory agreement with clients, has discretionary authority to determine which securities are to be bought and sold, and the amount of such securities. Red Oak recognizes that the analysis of execution quality involves a number of factors, both qualitative and quantitative. Red Oak will follow a process in an attempt to ensure that it is seeking to obtain the most favorable execution under the prevailing circumstances when placing client orders. These factors include but are not limited to the following:

- The financial strength, reputation and stability of the broker
- The efficiency with which the transaction is effected

- The ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any)
- The availability of the broker to stand ready to effect transactions of varying degrees of difficulty in the future
- The efficiency of error resolution, clearance and settlement
- Block trading and positioning capabilities
- Performance measurement
- Online access to computerized data regarding customer accounts
- Availability, comprehensiveness, and frequency of brokerage and research services
- Commission rates
- The economic benefit to the client
- Related matters involved in the receipt of brokerage services

Consistent with its fiduciary responsibilities, Red Oak seeks to ensure that clients receive best execution with respect to clients' transactions by blocking client trades to reduce commissions and transaction costs. To the best of Red Oak's knowledge, these custodians provide high-quality execution, and Red Oak's clients do not pay higher transaction costs in return for such execution.

Commission rates and securities transaction fees charged to effect such transactions are established by the client's independent custodian and/or broker-dealer. Based upon its own knowledge of the securities industry, Red Oak believes that such commission rates are competitive within the securities industry. Lower commissions or better execution may be able to be achieved elsewhere.

## **B.2. Security Allocation**

Since Red Oak may be managing accounts with similar investment objectives, Red Oak may aggregate orders for securities for such accounts. In such event, allocation of the securities so purchased or sold, as well as expenses incurred in the transaction, is made by Red Oak in the manner it considers to be the most equitable and consistent with its fiduciary obligations to such accounts.

Red Oak's allocation procedures seek to allocate investment opportunities among clients in the fairest possible way, taking into account the clients' best interests. Red Oak will follow procedures to ensure that allocations do not involve a practice of favoring or discriminating against any client or group of clients. Account performance is never a factor in trade allocations.

Red Oak's advice to certain clients and entities and the action of Red Oak for those and other clients are frequently premised not only on the merits of a particular investment, but also on the suitability of that investment for the particular client in light of his or her applicable investment objective, guidelines and circumstances. Thus, any action of Red Oak with respect to a particular investment may, for a particular client, differ or be opposed to the recommendation, advice, or actions of Red Oak to or on behalf of other clients.

### **B.3. Order Aggregation**

Orders for the same security entered on behalf of more than one client will generally be aggregated (i.e., blocked or bunched) subject to the aggregation being in the best interests of all participating clients. Subsequent orders for the same security entered during the same trading day may be aggregated with any previously unfilled orders. Subsequent orders may also be aggregated with filled orders if the market price for the security has not materially changed and the aggregation does not cause any unintended duration exposure. All clients participating in each aggregated order will receive the average price and, subject to minimum ticket charges and possible step outs, pay a pro rata portion of commissions.

To minimize performance dispersion, "strategy" trades should be aggregated and average priced. However, when a trade is to be executed for an individual account and the trade is not in the best interests of other accounts, then the trade will only be performed for that account. This is true even if Red Oak believes that a larger size block trade would lead to best overall price for the security being transacted.

### **B.4. Allocation of Trades**

All allocations will be made prior to the close of business on the trade date. In the event an order is "partially filled," the allocation will be made in the best interests of all the clients in the order, taking into account all relevant factors including, but not limited to, the size of each client's allocation, clients' liquidity needs and previous allocations. In most cases, accounts will get a pro forma allocation based on the initial allocation. This policy also applies if an order is "over-filled."

Red Oak acts in accordance with its duty to seek best price and execution and will not continue any arrangements if Red Oak determines that such arrangements are no longer in the best interest of its clients.

## **Item 13: Review of Accounts**

### **A. Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved**

Accounts are reviewed by John Susin, Red Oak's CEO and CCO. The frequency of reviews is determined based on the client's investment objectives, but reviews are conducted no less frequently than annually. More frequent reviews may also be triggered by a change in the client's investment objectives, tax considerations, large deposits or withdrawals, large purchases or sales, loss of confidence in the underlying investment, or changes in macro-economic climate.

### **B. Review of Client Accounts on Non-Periodic Basis**

Red Oak may perform ad hoc reviews on an as-needed basis if there have been material changes in the client's investment objectives or risk tolerance, or a material change in how Red Oak formulates investment advice.

### **C. Content of Client-Provided Reports and Frequency**

The client's independent custodian provides account statements directly to the client no less frequently than quarterly. The custodian's statement is the official record of the client's securities account and supersedes any statements or reports created on behalf of the client by Red Oak.

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

### **A. Economic Benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest**

Other than what is disclosed in Item 12 regarding benefits the firm receives from its custodian(s), Red Oak does not receive economic benefits for referring clients to third-party service providers.

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

Red Oak does not pay for client referrals.

## Item 15: Custody

Red Oak is considered to have custody of client assets for purposes of the Advisers Act for the following reasons:

- The client authorizes us to instruct their custodian to deduct our advisory fees directly from the client's account. The custodian maintains actual custody of clients' assets.
- Our authority to direct client requests, utilizing standing instructions, for wire transfer of funds for first-party money movement and third-party money movement (checks and/or journals, ACH, Fed-wires). The firm has elected to meet the SEC's seven conditions to avoid the surprise custody exam, as outlined below:
  1. The client provides an instruction to the qualified custodian, in writing, that includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed.
  2. The client authorizes the investment adviser, in writing, either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
  3. The client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization, and provides a transfer of funds notice to the client promptly after each transfer.
  4. The client has the ability to terminate or change the instruction to the client's qualified custodian.
  5. The investment adviser has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction.
  6. The investment adviser maintains records showing that the third party is not a related party of the investment adviser or located at the same address as the investment adviser.
  7. The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

Individual advisory clients will receive at least quarterly account statements directly from their custodian containing a description of all activity, cash balances, and portfolio holdings in their accounts. Clients are urged to compare the account balance(s) shown on their account statements to the quarter-end balance(s) on their custodian's monthly statement. The custodian's statement is the official record of the account.

## Item 16: Investment Discretion

Clients may grant a limited power of attorney to Red Oak with respect to trading activity in their accounts by signing the appropriate custodian limited power of attorney form. In those cases, Red Oak will exercise full discretion as to the nature and type of securities to be purchased and sold, and the amount of securities for such transactions. Investment limitations may be designated by the client as outlined in the investment advisory agreement. In addition, subject to the terms of its investment advisory agreement, Red Oak may be granted discretionary authority for the retention of independent third-party investment management firms. Investment limitations may be designated by the client as outlined in the investment advisory agreement. Please see the applicable third-party manager's disclosure brochure for detailed information relating to discretionary authority.

## Item 17: Voting Client Securities

Red Oak does not take discretion with respect to voting proxies on behalf of its clients. Red Oak will endeavor to make recommendations to clients on voting proxies regarding shareholder vote, consent, election or similar actions solicited by, or with respect to, issuers of securities beneficially held as part of Red Oak supervised and/or managed assets. In no event will Red Oak take discretion with respect to voting proxies on behalf of its clients.

Except as required by applicable law, Red Oak will not be obligated to render advice or take any action on behalf of clients with respect to assets presently or formerly held in their accounts that become the subject of any legal proceedings, including bankruptcies.

From time to time, securities held in the accounts of clients will be the subject of class action lawsuits. Red Oak has no obligation to determine if securities held by the client are subject to a pending or resolved class action lawsuit. Red Oak also has no duty to evaluate a client's eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or verdict. Furthermore, Red Oak has no obligation or responsibility to initiate litigation to recover damages on behalf of clients who may have been injured as a result of actions, misconduct, or negligence by corporate management of issuers whose securities are held by clients.

Where Red Oak receives written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by a client, it will forward all notices, proof of claim forms, and other materials to the client. Electronic mail is acceptable where appropriate and where the client has authorized contact in this manner.

## **Item 18: Financial Information**

### **A. Balance Sheet**

Red Oak does not require the prepayment of fees of \$1200 or more, six months or more in advance, and as such is not required to file a balance sheet.

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

Red Oak does not have any financial issues that would impair its ability to provide services to clients.

### **C. Bankruptcy Petitions During the Past Ten Years**

Red Oak has not been the subject of a bankruptcy petition in the last ten years.