



**CALDWELL SUTTER**  
**CAPITAL™**  
*Focused on Value*

**Caldwell Sutter Capital, Inc.**  
**Firm Brochure**

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This brochure provides information about the qualifications and business practices of Caldwell Sutter Capital, Inc. If you have any questions about the contents of this brochure, please contact us at (415) 962-2526. The information in this brochure has not been approved or verified by the United States Securities Exchange Commission or by any state securities authority.

Additional information about Caldwell Sutter Capital, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The use of the word "registered" in this brochure does not imply a certain level of skill or training.

## **Material Changes**

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Since the filing of our last annual amendment, dated December 22, 2022, we have the following material changes to report.

### **Fee Invoicing**

Beginning in the quarter of April 1, 2023 through June 30, 2023, we will no longer be sending fee invoices to clients. If you have any questions about the fee being charged, we encourage you to contact our main office at the phone number on the cover page of this brochure.

### **Advisory Fees on CS Strategic Diversified**

The method by which the fees are charged for *CS Strategic Diversified* has been updated. Our annual fee for portfolio management services is a flat fee based on the client's assets under management. The fee will generally range from 0.15% to 1.5% annually based on the total market value of assets in the Client's overall investment portfolio and the complexity of the services provided to you. The stated negotiated fee will be on the contract you sign to initiate a relationship with us.

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## **Advisory Business**

### **About Caldwell Sutter Capital**

Caldwell Sutter Capital, Inc. ("Caldwell") was formed in 1982 and is primarily owned by the John and Jinx Helmer Revocable Trust and Joe Helmer, CFA. Caldwell is organized as a corporation under the laws of the State of California.

Caldwell is dually registered as a SEC registered investment adviser and a FINRA member broker-dealer and is headquartered in Sausalito, California. Joe Helmer, CFA serves as the firm's President and Christopher Anderson serves as the Chief Compliance Officer.

### **Advisory Services**

Caldwell is a dually registered investment adviser and securities broker-dealer. Our clients are primarily high net worth individual investors and their families, but may also include corporations and municipalities. Caldwell offers portfolio management and financial planning under an investment advisory relationship.

Upon execution of an investment advisory contract, Caldwell will review your financial circumstances, prior investment experience, investment objectives, investment goals and objectives, investment restrictions, if any, risk tolerances and other pertinent information based on your relationship with us.

### **Portfolio Management**

Caldwell provides portfolio management services based on the strategies described in Methods of Analysis below. Our quarterly fees are based on securities upon which we have:

- Researched,
- Recommended to our clients,
- Acquired for our clients' accounts, normally as agent in the secondary markets, and
- Monitored thereafter.

When making recommendations to an investment account, we factor in the return objectives and risk objectives of the client. We also factor in the individual investor's constraints. Constraints include time horizons, tax considerations, liquidity needs, any legal or regulatory factors, and unique circumstances.

### **Financial Planning**

Caldwell may provide financial planning services for a fee. We may provide you with one or more of:

- Assistance in the development of a financial plan;
- Wealth accumulation strategies;
- Wealth protection strategies;
- Converting wealth to income (i.e. retirement income planning);
- Wealth transfer, such as charitable planning, gifting strategies, and business succession; and/or
- Advanced planning strategies as requested by you.

An adviser of Caldwell will work closely with you to analyze and define your financial objectives and needs. Using applicable documents provided to Caldwell which may include tax returns, financial statements, wills, trust documents, estimated social security statements, insurance summaries, account statements and other relevant documents, Caldwell will typically prepare a written executive summary and financial plan.

### **Tailoring Investments for Clients**

Caldwell asks for advisory clients to complete an investment profile that helps us to understand your financial situation, investment goals, investment experience, and your tolerance for risk. We use this and other information to help determine whether a particular investment is suitable for the needs and goals of the advisory client. A client, through discussion with their adviser, is always free to indicate which of the investments we recommend can be invested in their accounts. This may include restrictions on particular types of securities, socially responsible investment strategies, or other specific factors that might be desired by a client.

### **Wrap Fee Programs**

Caldwell does not participate in any wrap fee programs.

### **IRA Rollover Recommendations**

Effective December 20, 2021 (or such later date as the US Department of Labor ("DOL") Field Assistance Bulletin 2018-02 ceases to be in effect), for purposes of complying with the DOL's Prohibited Transaction Exemption 2020-02 ("PTE 2020-02"). When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours. Under this special rule's provisions, we must:

- Meet a professional standard of care when making investment recommendations (give prudent advice);
- Never put our financial interests ahead of yours when making recommendations (give loyal advice);
- Avoid misleading statements about conflicts of interest, fees, and investments;
- Follow policies and procedures designed to ensure that we give advice that is in your best interest;
- Charge no more than is reasonable for our services; and
- Give you basic information about conflicts of interest.

We benefit financially from the rollover of your assets from a retirement account to an account that we manage or provide investment advice, because the assets increase our assets under management and, in turn, our advisory fees. As a fiduciary, we only recommend a rollover when we believe it is in your best interest.

### **Assets Under Management**

As of September 29, 2023, Caldwell managed \$36,851,354 on a non-discretionary basis, meaning that the client gave their approval for each purchase we gave each investment. Caldwell managed \$451,557,844 on a discretionary basis, meaning the client does not need to give their approval for each transaction in their portfolio. In total, Caldwell managed \$488,409,198.

## Fees and Compensation

### Fee Schedule

The fee schedules for each of the strategies are below. Our advisory fee is negotiable, depending on individual client circumstances. Negotiated fees are indicated on the advisory contract and agreed to both by Caldwell and the client, and will not exceed 1.5%.

#### For CS Value:

Our annual fee for portfolio management services depends on the asset class:

- 0.5% for all fixed income securities including Treasuries, corporate bonds, municipal bonds government securities as described in *CS Value Income* under *Methods of Analysis*
- 0.5% for limited partnerships and other private funds managed by parties other than Caldwell
- 1% for ETFs and closed end funds which are included in investments under *CS Value Equity* under *Methods of Analysis*
- 1.5% for individually researched equities as described in *CS Value Equity* under *Methods of Analysis*

We do not charge on cash held or any other assets that may be held in the account.

No other asset classes are charged with these strategies. however, if a fee is negotiated, the negotiated fee could include fees on other asset classes.

#### For CS Strategic Diversified:

Our annual fee for portfolio management services is a flat fee based on the Client's assets under management. The fee will generally range from 0.15% to 1.5% annually based on the total market value of assets in the Client's overall investment portfolio and the complexity of the services provided to you. The stated fee will be on the contract you sign to initiate a relationship with us.

#### How Fees are Billed

Our annual portfolio management fee is billed and payable quarterly in advance based on the balance at end of the prior quarter. Existing client accounts may have a different fee schedule.

If the portfolio management agreement is executed at any time other than the first day of a calendar quarter, our fees will apply on a pro rata basis, which means that the advisory fee is payable in proportion to the number of days in the quarter for which you are a client.

We will deduct our fee directly from your account through the qualified custodian holding your funds and securities. We will deduct our advisory fee only when you have given our firm written authorization permitting the fees to be paid directly from your account. The qualified custodian will deliver an account statement to you at least quarterly. These account statements will show all disbursements, including the advisory fees, from your account. You should review all statements for accuracy.

If you have any questions regarding the advisory fees you have been charged, we encourage you to call our main office number located on the cover page of this brochure.

Quarterly advisory fees for multiple accounts may be charged to one designated account held by the same customer or immediate family members (husband, spouse, children) as long as there is a written agreement or amendment signed and dated by all parties to the advisory fee agreement.

### **Other Fees and Expenses**

In addition, the custodian of your assets, typically either Wedbush Securities Inc. or Charles Schwab may also charge other types of fees for performing various functions including, however not limited to, transaction fees, custodial fees for various types of special accounts, requesting certificates, fees to transfer funds and/or securities, Regulation T extension charges, exchange fees, transfer taxes and reorganization fees.

We may trade client accounts on margin. Each client must sign a separate margin agreement before margin is extended to that client account. Fees for advice and execution on these securities are based on the total asset value of the account, which includes the value of the securities purchased on margin. While a negative cash balance may show on a client's statement, the amount of the fee is based on the absolute market value of each selected investment. This creates a conflict of interest where we have an incentive to encourage the use of margin to create a higher market value and therefore receive a higher fee. The use of margin may also result in interest charges in addition to all other fees and expenses associated with the security involved.

Please see the section on *Brokerage Practices* for more information regarding this.

### **Prepaid Fees**

Fees are charged in the same quarter that represents the billing period. This means that clients will prepay their fees for that quarter.

If you terminate your advisory contract within five days of the effective date of the agreement, you will receive a full refund of any advance fees paid. Otherwise, you are eligible for a pro-rata refund of unearned fees in the billing period.

This refund is calculated by taking the number of days left in the billing period starting with the date of contract termination taken as a percentage of the total number of days in the billing period.

### **Other Compensation**

If we choose to execute a trade on your behalf with as a broker, Caldwell will not benefit as the transaction fees charged to us are equal to the cost charged to Caldwell as the broker-dealer executing your trades. These transaction fees will not reduce the advisory fees.

Persons providing investment advice on behalf of our firm are also registered representatives with Caldwell Sutter Capital, Inc., a securities broker-dealer, and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. In their capacity as registered representatives, these persons will receive commission-based compensation in connection with the purchase and sale of securities or other investment products, including asset-based sales charges, service fees or 12b-1 fees, or holding, of mutual funds for the sale of investment company products. Compensation earned by these persons in their capacities as registered representatives is separate and in addition to our advisory fees. This practice presents a conflict of interest because persons providing investment advice to advisory clients on behalf of our firm who are registered representatives have an incentive to recommend investment products based on generating commissions when executing securities rather than solely based on your needs.

To mitigate this conflict of interest, we do not allow the recommendation or holding of any investment that pays an asset-based fee such as a 12b-1 fee to Caldwell in advisory accounts where Caldwell is also the broker-dealer of the advisory account. If any such investment is deposited or otherwise transferred into an advisory account and the client does not wish to, or cannot, liquidate that investment, they will be required to hold it in a brokerage account outside of this relationship.

For any other compensation that we may receive for the sale of a security, we will reimburse to the client's account any compensation received attributable to that account promptly after the transaction occurs. This is done by reducing the next advisory fee by the amount to reimburse.

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

We do not charge performance-based fees or participate in side-by-side management. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Our fees are calculated as described in the *Fees and Compensation* section above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

## **Types of Clients**

We generally provide investment advice to individuals, their families, and their trusts, retirement accounts, and other related accounts. We typically initiate a relationship with a portfolio size of \$250,000, though there is no hard minimum to opening an account.

## **Methods of Analysis, Investment Strategies and Risk of Loss**

### **Methods of Analysis**

We use separate accounts to build highly customized equity and fixed income portfolios for our advisory clients. Portfolios are comprised of individually researched securities having fundamental and structural characteristics specific to our value-focused investment processes. Our advisory clients typically choose one of the following portfolio strategies:

#### **CS Strategic Diversified**

We use the stated investment profile to offer investment advice for investing in various asset classes. Your portfolio might be invested in include listed and unlisted stocks, preferred stocks, various strategies in no load and advisor share class open-end mutual funds and exchange traded funds (ETFs), certificates of deposit, treasury notes, bills and bonds, other government and agency bonds, municipal bonds, corporate bonds and convertible bonds. The exact allocation and selection of the assets in these asset classes will depend on your stated investment objectives, risk tolerance and risk profile in the investment profile.



## CS Value Equity

We use a bottom-up, fundamental-based value approach. This means that we research individual businesses and their financial condition rather than looking at whole industries or other classifications of businesses. We acquire equity securities in businesses that we believe are trading at prices below our analysis of the intrinsic value of these businesses.

Our prospective investments are largely sourced within certain equity market niches we call "pockets of structural inefficiency." Structural inefficiencies that may create pricing at a discount to intrinsic value include: a) limited market liquidity, b) undiscovered companies with no investment research coverage and limited availability of financial data, c) securities that may be undervalued due to complicated circumstances/events, and d) companies and securities that are controlled by majority owners. We have observed that these structural characteristics preclude many, particularly larger, investment firms from undertaking the effort to thoroughly research these companies and securities. We believe that the limited amount of capital and limited number of investors focused here directly relates to the opportunity to source undervalued investments from these niches. However, depending on market circumstances, there may be instances where more thoroughly researched securities that are more actively traded and held will have low valuations compared to their intrinsic value, and we will consider these securities should these situations arise.

We perform our own proprietary research, inspecting historical financials. We largely focus on businesses that have certain key factors present, such as: consistently recurring revenues, positive earnings and cash flows, and conservative balance sheets. These businesses are typically led by what we call "owner-operators." This means the company's management and board of directors have substantial equity ownership. We believe high levels of insider ownership are preferable for an alignment of interests in the preservation and growth of shareholder value.

An important part of our process is what we call "mapping the end game." This process helps us understand how the discount between trading price and our analysis of intrinsic value might be closed. We analyze certain key factors of companies that may inherently lead to such outcomes such as acquisitions, mergers, cash sales, or liquidations of businesses. However, in the absence of such a catalyst, it is important that our portfolio companies can successfully grow their respective intrinsic values at an acceptable, long term risk-adjusted rate.

We believe in harnessing the power of long-term compounding and that the more reliable way of preserving and growing capital is the steady compounding of returns. Accordingly, advisory clients should view CS Value Equity as a long term, buy and hold strategy.

## CS Value Income

We identify the risk and return objectives, liquidity needs, tax status, and other unique circumstances of each advisory client. This includes taking into consideration their income tax bracket, state of residency, need for periodic distributions, and whether the funds are in a taxable or tax-exempt (retirement) account. We utilize both tax-exempt and taxable municipal bonds, corporate bonds, and United States agency and government bonds. Each advisory client's specific needs will determine the structure elements of their portfolio, such as maturity/duration, taxable/tax exempt, and credit ratings of the individual bonds selected for their portfolio.

In general, we buy bonds that are investment grade (credit rating of Baa/BBB to Aaa/AAA), and readily marketable. There are situations, however, where a bond may not carry an investment-grade rating (or any rating at all), but there is a compelling reason to purchase it. We build our advisory clients'

portfolios with a primary focus on what we call "relative value." This means we seek to uncover bonds that offer higher yields relative to similarly rated issues, maturities, and coupons, that our research leads us to believe that the risks are not commensurately higher. We do this through primary in-house research, utilizing official statements, financial statements, and other publicly available disclosures, as well as conversations with bond trustees and issuers to determine the credit-worthiness of a specific bond issue.

The current interest-rate environment and the shape of the yield curve (the difference between the yield on short-term and longer-term bonds) also helps us to determine the most attractive duration for the bonds we purchase. As mentioned above however, each advisory client's individual situation ultimately determines the duration of their individual portfolio.

Caldwell Sutter Capital is dually registered as both a broker-dealer and a registered investment adviser. Our registration as a broker-dealer allows us to purchase bonds in the "wholesale" market and sell them directly to our advisory clients with no mark-up.

### CS Value Balanced

Our balanced approach utilizes a customized portfolio of individually researched securities combining aspects of our CS Value Equity and CS Value Income strategies. The appropriate weighting between the two strategies is based on the risk and return objectives, liquidity needs, and other unique circumstances of each advisory client. Market factors may also influence the initial allocation recommendation and future rebalancing between the two strategies. There is, however, a conflict of interest in recommending this strategy in that the adviser could be incentivized to recommend higher amounts of securities under the CS Value Equity strategy due to its higher fee.

### Other Securities

Based on the advisory client's unique circumstances, we may recommend other kinds of investments for their portfolio, such as equity securities not covered under "CS Value Equity," institutional class mutual funds, options on these asset classes, and third party managed alternative investments (LPs). We take into account current economic conditions, business cycles, interest rates, and geopolitical events that may impact the securities and sectors that our clients are invested in. We utilize a variety of sources including, but not limited to business news services such as the Wall Street Journal, the New York Times, Bloomberg, and other publications to follow and analyze such conditions. However, this is not the main emphasis of the investment strategy as described by this brochure, and so aside from specifically recommended and researched alternative investments (LPs), we will not charge on these asset classes.

### **Risk of Loss**

Risks of loss regardless of what investment strategy or analysis is undertaken, investing in securities involves risk of loss that clients must be prepared to bear; in fact, some investment strategies could result in total loss of your investment. Some risks may be avoided or mitigated, while others are completely unavoidable. When evaluating risk, financial loss may be viewed differently by each client and may depend on many different risks, each of which may affect the probability and magnitude of any potential losses. The following risks may not be all inclusive but should be considered carefully by a prospective client before retaining our services.

Some of the common risks you should consider prior to investing include, but are not limited to:

- **Market risks:** The prices of, and the income generated by, the common stocks, bonds, and other securities you own may decline in response to certain events taking place around the world, including those directly involving the issuers; conditions affecting the general economy; overall market changes; local, regional, or global political, social, or economic instability; governmental or governmental agency responses to economic conditions; and currency, interest rate, and commodity price fluctuations.
- **Interest rate risks:** The prices of, and the income generated by, most debt and equity securities will most likely be affected by changing interest rates and by changes in the effective maturities and credit ratings of these securities. For example, the prices of debt securities generally decline when interest rates rise and increase when interest rates fall. In addition, falling interest rates may cause an issuer to redeem, "call," or refinance a security before its stated maturity date, which would typically result in having to reinvest the proceeds in lower-yielding securities.
- **Credit risks:** Debt securities are also subject to credit risk, which is the possibility that the credit strength of an issuer will weaken and/or an issuer of a debt security will fail to make timely payments of principal or interest and the security will go into default.
- **Risks of investing outside the U.S.:** Investments in securities issued by entities based outside the United States are often subject to the risks described above to a greater extent.
- **Margin transactions:** Securities transactions in which an investor borrows money to purchase a security, in which case the security serves as collateral on the loan, inherently have more risk than cash purchases. If the value of the shares drops sufficiently, the investor will be required to either deposit more cash into the account or sell a portion of the stock in order to maintain the margin requirements of the account. This is known as a "margin call." An investor's overall risk in accounts utilizing margin includes the amount of money invested plus the amount that was loaned to them.
- **Tax considerations:** Our strategies and investments may have unique and significant tax implications. Unless specifically agreed otherwise, and in writing, however, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, it is strongly recommended that you consult with a tax professional regarding the investing of your assets. Custodians and broker/dealers must report the cost basis of equities acquired in client accounts. Your custodian will default to the first in, first out ("FIFO") accounting method for calculating the cost basis of your equity investments and average-cost for mutual fund positions. You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, provide written notice to our firm immediately, and we will alert your account custodian of your individually selected accounting method. Decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.
- **Risk of loss:** Investing in securities involves risk of loss that you should be prepared to bear. Caldwell Sutter and your advisor do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met.
- **Liquidity risk:** The risk of being unable to sell your investment at a fair price at a given time due to high volatility or lack of active liquid markets. You may receive a lower price, or it may not be possible to sell the investment at all. Certain structured products, interval funds, and alternative investments are less liquid than securities traded on an exchange, and you should be aware of the fact that you may

not be able to sell these products outside of prescribed time periods. You should consult your advisor prior to purchasing products considered illiquid and in instances where changes in your financial situation and objectives may increase your need for liquidity.

- **Inflation risk:** Security prices and portfolio returns will likely vary in response to changes in inflation and interest rates. Inflation causes the value of future dollars to be worthless and may reduce the purchasing power of a client's future interest payments and principal. Inflation also generally leads to higher interest rates which may cause the value of many types of fixed income investments to decline.
- **Time horizon and longevity risk:** Time horizon risk is the risk that your investment horizon is shortened because of an unforeseen event (e.g., the loss of your job). This may force you to sell investments that you were expecting to hold for the long term. If you must sell at a time that the markets are down, you may lose money. Longevity risk is the risk of outliving your savings. This risk is particularly relevant for people who are retired or nearing retirement.

### **Risks in Investment Strategies**

There are risks in *CS Value Equity* securities, and will exist in a variety of forms both known and unknown. Our recommendations often involve securities that are discounted by a lack of liquidity. This lack of liquidity is often exacerbated during market declines and periods exhibiting higher than normal volatility. This means that to exit some of these investments may be very difficult and very costly, depending on market conditions.

Our recommendations also often include securities that have a minority share discount. This means that other groups or individuals may effectively or mathematically control the decision making policies and procedures of the securities we invest in. The objectives and decisions of majority shareholders might not be properly aligned with your objectives. There is often no legal recourse for the decisions that majority shareholders make if they adversely affect your investment.

We also invest in securities that may be discounted due to lack of marketability. This means that it may be difficult to liquidate a security that has been purchased, often because the security may be in an industry currently not considered fashionable or attractive by the broader investment community due to less available information compared to more widely held securities. This could cause the value of your investment to decline if one or more other investors decide to sell the securities.

Risks to fixed income investing include changes in interest rates (higher interest rates cause bond prices to fall), reinvestment risk (lower interest rates when reinvesting bond interest and maturing principal), early redemption (putting at risk a premium paid), lack of disclosure, and changes in the credit quality of the issuing entity. Tax-exempt municipal bonds are also subject to risk from changes in current tax law (the loss of tax-exemption – either federal or state - would cause the bond value to decrease to reflect the new tax liability).

For *CS Strategic Diversified*, your risk will reflect the specific asset allocations for your specific portfolio. See *Risks in Recommendation of Particular Types of Securities* for more information regarding the asset classes in your portfolio. The higher the allocation of that specific asset class in your account, the higher the risks from that asset class will affect the market value of your portfolio.

### **Risks in Recommendation of Particular Types of Securities**

However, we may advise on other types of investments as appropriate for you since each client has different needs and different tolerance for risk. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of

investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with the investment.

**Stocks:** There are numerous ways of measuring the risk of equity securities (also known simply as "equities" or "stock"). In very broad terms, the value of a stock depends on the financial health of the company issuing it. However, stock prices can be affected by many other factors including, but not limited to the class of stock (for example, preferred or common); the health of the market sector of the issuing company; and the overall health of the economy. In general, larger, better established companies ("large cap") tend to be safer than smaller start-up companies ("small cap") are but the mere size of an issuer is not, by itself, an indicator of the safety of the investment

**Bonds:** Corporate or government debt securities (or "bonds") are typically safer investments than equity securities, but their risk can also vary widely based on: the financial health of the issuer; the risk that the issuer might default; when the bond is set to mature; and, whether or not the bond can be "called" prior to maturity. When a bond is called, it may not be possible to replace it with a bond of equal character paying the same rate of return.

**Municipal Securities:** Municipal securities, while generally thought of as safe, can have significant risks associated with them including, however not limited to: the credit worthiness of the governmental entity that issues the bond; the stability of the revenue stream that is used to pay the interest to the bondholders; when the bond is due to mature; and, whether or not the bond can be "called" prior to maturity. When a bond is called, it may not be possible to replace it with a bond of equal character paying the same amount of interest or yield to maturity.

**Mutual Funds and Exchange Traded Funds:** Mutual funds and exchange traded funds ("ETF") are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities, or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds and ETFs generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. ETFs differ from mutual funds since they can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. The returns on mutual funds and ETFs can be reduced by the costs to manage the funds. Also, while some mutual funds are "no load" and charge no fee to buy into, or sell out of, the fund, other types of mutual funds do charge such fees which can also reduce returns. Mutual funds can also be "closed end" or "open end". So-called "open end" mutual funds continue to allow in new investors indefinitely whereas "closed end" funds have a fixed number of shares to sell which can limit their availability to new investors.

ETFs may have tracking error risks. For example, the ETF investment adviser may not be able to cause the ETF's performance to match that of its Underlying Index or other benchmark, which may negatively affect the ETF's performance. In addition, for leveraged and inverse ETFs that seek to track the performance of their Underlying Indices or benchmarks on a daily basis, mathematical compounding may prevent the ETF from correlating with performance of its benchmark. In addition, an ETF may not have investment exposure to all of the securities included in its Underlying Index, or its weighting of investment exposure to such securities may vary from that of the Underlying Index. Some ETFs may invest in securities or financial instruments that are not included in the Underlying Index, but which are expected to yield similar performance.

**Certificates of Deposit:** Certificates of deposit ("CD") are generally a safe type of investment since they are insured by the Federal Deposit Insurance Company ("FDIC") up to a certain amount. However, because the returns are generally low, there is risk that inflation outpaces the return of the CD. Certain CDs are traded in the marketplace and not purchased directly from a banking institution. In addition to trading risk, when CDs are purchased at a premium, the premium is not covered by the FDIC.

**Preferred Stock:** Preferred stock is similar to common stock, providing equity ownership in a company. Preferred stock has a higher claim on distributions (i.e., dividends), however, generally does not have voting rights. In the event of a liquidation, preferred stockholders' claim on assets is greater than common stockholders but less than bondholders. Preferred stock is typically issued at par value, has periodic ongoing cash payments and can be callable which gives it similar characteristics to fixed income securities. The risks associated with preferred stock include minimal appreciation, interest rate sensitivity and no guarantee of dividends.

**Options Contracts:** Options are complex securities that involve risks and are not suitable for everyone. Option trading can be speculative in nature and carry substantial risk of loss. It is generally recommended that you only invest in options with risk capital. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an underlying asset at a specific price on or before a certain date (the "expiration date"). The two types of options are calls and puts.

A call gives the holder the right to buy an asset at a certain price within a specific period of time. Calls are similar to having a long position on a stock. Buyers of calls hope that the stock will increase substantially before the option expires. A put gives the holder the right to sell an asset at a certain price within a specific period of time. Puts are very similar to having a short position on a stock. Buyers of puts hope that the price of the stock will fall before the option expires.

The option trading risks pertaining to options buyers include the risk of losing your entire investment in a relatively short period of time. The risk of losing your entire investment increases if, as expiration nears, the stock is below the strike price of the call (for a call option) or if the stock is higher than the strike price of the put (for a put option). European style options which do not have secondary markets on which to sell the options prior to expiration can only realize its value upon expiration. Specific exercise provisions of a specific option contract may create risks and regulatory agencies may impose exercise restrictions, which stops you from realizing value.

Selling options is more complicated and can be even riskier. The option trading risks pertaining to options sellers include the fact that options sold may be exercised at any time before expiration. Call options can be exercised outside of market hours such that effective remedy actions cannot be performed by the writer of those options. Covered call traders forego the right to profit when the underlying stock price rises above the strike price of the call options sold and continues to risk a loss due to a decline in the underlying stock. Writers of call options could lose more money than a short seller of that stock could on the same rise on the underlying stock. This is an example of how leverage in options can work against the options trader.

Writers of naked calls risk unlimited losses if the underlying stock rises, and writers of naked puts risk unlimited losses if the underlying stock drops. In addition in such cases, writers of naked positions run margin risks if the position goes into significant losses. Such risks may include liquidation by the broker. Writers of naked calls are obligated to deliver shares of the underlying stock if those call options are exercised. Writers of stock options are obligated under the options that they sold even if a trading market is not available or that they are unable to perform a closing transaction. The value of the underlying stock may rise or decline unexpectedly, leading to automatic exercises.

The complexity of some option strategies is a significant risk on its own. Option trading exchanges or markets and option contracts themselves are always open to changes. Options markets have the right to halt the trading of any options, thus preventing investors from realizing value. If an options brokerage firm goes insolvent, investors trading through that firm may be affected. Internationally traded options have special risks due to timing across borders.

Equity option trading risks are closely related to stock risks as equity options are a derivative of stocks.

## **Disciplinary Information**

Caldwell or its management have not been subject to legal or disciplinary events that are required to be disclosed in this brochure.

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

### **Broker-Dealer Registration**

Caldwell Sutter's investment adviser representatives are also registered representatives as the firm is dually registered. Advisor's may act as registered representatives and may purchase or sell securities for client accounts for additional commission-based compensation. Clients are not obligated to open brokerage accounts through the broker-dealer.

### **Licensed Insurance Agency**

Our firm is also licensed as an insurance agency. Therefore, persons providing investment advice on behalf of our firm may be licensed as insurance agents. These persons will earn commission-based compensation for selling insurance products, including insurance products they sell to you. The fees you pay our firm for advisory services are separate and distinct from the commissions earned by Insurance Agents. This presents a conflict of interest because Advisors may have an incentive to recommend insurance products to you for the purpose of generating commissions rather than solely based on your needs. However, you are under no obligation, contractually or otherwise, to purchase insurance products through any person affiliated with our firm.

### **Registered Municipal Advisor**

Our firm is also a registered municipal advisor.

### **Other Relationships and Arrangements**

In 2010, Richard Saso, CPA transferred his registrations as broker-dealer and investment advisory representative to Caldwell, and his office in San Ramon became a branch of the firm. Mr. Saso is the branch manager of the San Ramon office. We publish two different versions of our brochure, this one describing in greater detail the Sausalito office. To inquire further, consult the San Ramon office brochure by calling Richard Saso at 925-275-9111 or e-mailing him at rich.saso@cald.com.

As a California Certified Public Accountant, performs federal and state income tax services for clients through an affiliate, Richard A. Saso, CPA, Inc. Fees for these services vary depending on the time and expense required for the service, but range from \$100 to \$300 per hour. Fees are billed at month-end or upon completion of the work. In certain instances, advance retainers may be requested. Generally, there are no written contractual agreements for these services although, in some instances, clients may be requested to sign an engagement letter. Tax preparation clients of Caldwell may be referred to and performed by the affiliated independent CPA firm of Richard A. Saso, CPA, Inc. Fees

are based on an hourly rate. The fee charged to the client by Mr. Saso may be more or less if paid by the client to some other independent accounting or CPA firm. You are under no obligation to utilize the CPA services of Mr. Saso. If presently doing so, clients may discontinue service at any time without penalty.

### **Selection of Investment Advisers**

Caldwell does not recommend or select other investment advisers for our clients, except to the extent that we may recommend other limited partnerships or private funds for an advisory client to invest in. However, Caldwell will still supervise the status of that investment and will still consider it part of its own investment recommendations.

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

### **Code of Ethics**

Caldwell has a Code of Ethics that maintains just and equitable standards of conduct for the firm and its representatives. It requires advisers to follow all applicable rules and laws and disclose its holdings and transactions to determine if conflicts of interest exist. A copy of the Code of Ethics will be furnished to any client or prospective client upon request.

### **Principal Transactions**

We direct trades to Caldwell as a broker-dealer acting on a principal basis, where Caldwell and/or its employees buy securities from or sell securities directly to our clients. These transactions present a conflict of interest as both Caldwell and our employees could earn transactional fees (mark-ups or mark-downs) from such transactions which could create an incentive to execute client orders in this manner. However, we do not charge clients fees or commissions other than our cost to execute the trade. Advisers are not compensated for these transactions. We will only perform these transactions when we believe the transaction is in your best interest and not prior to disclosing the price of the security and other best quoted prices, and obtaining your consent to perform the transaction.

### **Agency Cross Transactions**

An agency cross transaction for an advisory client occurs when we, or one of our affiliates, acts as a broker for a transaction in which one of our advisory clients is on one side of the transaction and another person is on the other side of the transaction. We may, when we consider the transaction to be in your best interest, execute such transactions. We could receive compensation from each party to the transaction and would therefore have a conflict of interest. We will require your consent prior to each such transaction. We will review all trades executed as an agency cross for compliance with our best execution policy.

### **Interest in Client Transactions**

Caldwell and its representatives may recommend to clients that they buy or sell securities or other investment products in which we, or a related account, has some financial interest. This may lead to changes in the price of the securities that may benefit us.



## **Personal Trading**

Our firm or persons associated with our firm may buy or sell the same securities that we recommend to you or securities in which you are already invested. A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To mitigate this conflict of interest, it is our policy that neither our firm nor persons associated with our firm shall have priority over your account in the purchase or sale of securities.

## **Timing of Personal Trades**

In cases where transactions for clients and Caldwell and its related accounts occur in the same security on the same day at different prices, the better prices will be assigned to client transactions first.

## **Block Trading**

Our firm or persons associated with our firm may buy or sell securities for you at the same time we or persons associated with our firm buy or sell such securities for our own account. We may also combine our orders to purchase securities with your orders to purchase securities ("block trading"). Refer to the *Brokerage Practices* section in this brochure for information on our block trading practices.

A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To eliminate this conflict of interest, it is our policy that neither our firm nor persons associated with our firm shall have priority over your account in the purchase or sale of securities.

## **Brokerage Practices**

We do not maintain custody of your assets that we manage or which we advise, although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account (See Item 15—Custody, below). Your assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. Caldwell typically recommends a broker-dealer that fits best with the portfolio management style that the customer is receiving. For CS *Value* clients, due to getting better service executing the transactions for investments described in *Methods of Analysis, Investment Strategies and Risk of Loss*, we recommend ourselves as the broker-dealer, with Wedbush Securities Inc. as the custodian of your funds and securities. This affords us the flexibility to execute transactions with more favorable results than might be possible acting purely as an investment adviser. For CS *Strategic Diversified* clients, we recommend either Charles Schwab & Co., Inc. ("Schwab") as the custodian of your funds and securities. Clients are not obligated to open brokerage accounts through the broker dealer.

## **How we select brokers/custodians**

In recognition of the value of the services the custodian provides, you may pay higher commissions and/or trading costs than those that may be available elsewhere. Our selection of custodian is based upon many factors, including the level of services provided, the custodian's financial stability, the ability to own investments to satisfy your chosen investment strategy, and the cost of services provided by the custodian.

We seek to recommend a broker-dealer or custodian that will hold your assets and execute transactions on terms that are, overall, the most favorable compared to other available providers and their services. We consider various factors, including:

- Whether or not your adviser is also a registered representative and has the ability to transact with Caldwell's broker-dealer. If they are not, then we will recommend Schwab as the broker-dealer and custodian so that your adviser may act purely as an advisor.
- Combination of transaction execution services and asset custody services.
- Likelihood that your trades will be executed.
- Breadth of available investment products depending on your selected strategy (stocks, bonds, mutual funds, exchange-traded funds ("ETFs"), etc.).
- Availability of investment research and tools.
- Overall quality of services.
- Competitiveness of price.
- Reputation, financial strength, and stability.
- Existing relationship with Caldwell and our other clients.

Not all advisors require their clients to use a particular broker-dealer or other custodian selected by the advisor. Even though your account will be maintained at the custodian that you choose, and we anticipate most trades will be executed through that custodian, we can still use other brokers, including ourselves, to execute trades for your account as described below (see "Your brokerage and custody costs").

In particular, in some circumstances, we may use our broker-dealer to execute transactions that would be difficult to perform at other custodians, or where we might be allocating transactions, particularly from *CS Value* strategy accounts, across accounts at multiple custodians.

**When choosing Schwab as Custodian.** We are independently owned and operated and are not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when we instruct them to. If you select Schwab, you will decide to open your account by entering into an account agreement directly with them. Conflicts of interest associated with this arrangement are described below as well as in Item 14 (Client referrals and other compensation). You should consider these conflicts of interest when selecting your custodian.

**When choosing Caldwell as Custodian.** We also recommend using our own broker-dealer. Caldwell clears through Wedbush Securities Inc. ("Wedbush") in Los Angeles, CA on behalf of Caldwell. These accounts are considered accounts of Caldwell even though they are cleared through Wedbush. You will decide to open your account by completing our account agreement. Conflicts of interest associated with this arrangement are described below as well as in Item 14 (Client referrals and other compensation). You should consider these conflicts of interest when selecting your custodian.

### **Your brokerage and custody costs**

We are not required to select the broker or dealer that charges the lowest transaction cost, even if that broker provides execution quality comparable to other brokers or dealers.

Although we are not required to execute all trades through the Custodian for your account, we have determined that typically using the Custodian where your account is held is consistent with our duty to seek "best execution" of your trades. Best execution means the most favorable terms for a transaction

based on all relevant factors, including those listed above (see "How we select brokers/custodians"). This is due to the additional costs that are typically charged by custodians to trade away from that custodian. By using another broker or dealer you may pay lower transaction costs.

**When choosing Schwab as Custodian.** Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. Certain trades (for example, many mutual funds and ETFs) may not incur Schwab commissions or transaction fees. Schwab is also compensated by earning interest on the uninvested cash in your account in Schwab's Cash Features Program. Schwab charges you a flat dollar amount as a "prime broker" or "trade away" fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we have Schwab execute most trades for your account that would not participate in trades in connection with advisory clients using Caldwell as Custodian.

**When choosing Caldwell as Custodian.** The conflicts of interest involved with selecting Caldwell as your account's Custodian is described more in detail below (see "Directed Brokerage"). More generally, however, our clearing firm, Wedbush, may charge separately for certain custody services, particularly for retirement accounts. Wedbush may also receive compensation by earning interest on the uninvested cash in your account, receive interest for extending credit on debit balances in margin accounts, or for special services performed as a part of maintaining your account on Caldwell's behalf.

### **Products and services available to us**

Both Caldwell, in many cases through its clearing firm Wedbush, and Schwab makes available various support services. Some of those services help us manage or administer our clients' accounts, while others help us manage and grow our business.

Caldwell Sutter Capital, Inc. which operates both as a broker-dealer and an investment advisory firm, and in its role as broker-dealer and through its clearing firm Wedbush Securities Inc., is able to handle normal brokerage services such as trading, custody, reporting and related services that are available to both its advisory clients and its broker-dealer retail customers.

Schwab Advisor Services™ is Schwab's business serving independent investment advisory firms like us. They provide us and our clients with access to their institutional brokerage services (trading, custody, reporting, and related services), many of which are not typically available to Schwab retail customers. However, certain retail investors may be able to get institutional brokerage services from Schwab without going through us. Schwab's support services are generally available on an unsolicited basis (we don't have to request them) and at no charge to us.

Following is a more detailed description of support services available to us:

**Services that benefit you.** Both Custodians include access to a broad range of investment products, execution of securities transactions, and custody of client assets.

The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit you and your account.

**Services that do not directly benefit you.** Schwab also makes available to us other products and services that benefit us but do not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts and operating our firm. They include investment research, both Schwab's own and that of third parties. We use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

Provide access to client account data (such as duplicate trade confirmations and account statements)

- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of our fees from our clients' accounts
- Assist with back-office functions, recordkeeping, and client reporting

Services that generally benefit only us. Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events
- Consulting on technology and business needs
- Consulting on legal and related compliance needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers
- Marketing consulting and support

Schwab provides some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab also discounts or waives its fees for some of these services or pays all or a part of a third party's fees. Schwab also provides us with other benefits, such as occasional business entertainment of our personnel. If you did not maintain your account with Schwab, we would be required to pay for these services from our own resources.

### **Our Interest in Schwab's Services**

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services. The fact that we receive these benefits from Schwab is an incentive for us to recommend the use of Schwab rather than making such a decision based exclusively on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a conflict of interest. We believe, however, that taken in the aggregate, our selection of Schwab as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's services (see "How we select brokers/ custodians") and not Schwab's services that benefit only us.

### **Research and Soft Dollars**

Caldwell does not have any soft dollar arrangements, in which an investment manager would direct the commission generated by the transaction towards a third party or in-house party in exchange for services that may be for the benefit of the client but are not client directed.

### **Client Referrals from a Broker-Dealer**

We do not receive client referrals from any of the broker-dealers that our clients have accounts with in exchange for cash or other compensation, such as brokerage services or research.

## **Directed Brokerage**

Persons providing investment advice on behalf of our firm who are registered representatives of Caldwell Sutter Capital, Inc. and have portfolios invested in one of the CS *Value* strategies will recommend Caldwell Sutter Capital, Inc. to you for brokerage services. These individuals are subject to applicable rules that restrict them from conducting securities transactions away from Caldwell Sutter Capital, Inc. unless Caldwell Sutter Capital, Inc. provides the representative with written authorization to do so. Therefore, these individuals are generally limited to conducting securities transactions through Caldwell Sutter Capital, Inc. It may be the case that Caldwell Sutter Capital, Inc. charges higher transactions costs and/or custodial fees than another broker charges for the same types of services. If transactions are executed through Caldwell Sutter Capital, Inc., these individuals (in their separate capacities as registered representatives of Caldwell Sutter Capital, Inc.) may earn commission-based compensation as result of placing the recommended securities transactions through Caldwell Sutter Capital, Inc. This practice presents a conflict of interest because these registered representatives have an incentive to effect securities transactions for the purpose of generating commissions rather than solely based on your needs.

Persons providing investment advice on behalf of our firm who are only investment adviser representatives and not registered representatives of Caldwell Sutter Capital, Inc., or have portfolios invested in the CS *Strategic Diversified* strategy will normally recommend Charles Schwab & Co. Inc. to you for your brokerage services. However, registered representatives of Caldwell Sutter Capital, Inc. may also recommend this option, and the client may so direct Caldwell Sutter Capital, Inc. to use Charles Schwab & Co. Inc. for your brokerage services.

You may utilize the broker-dealer of your choice and have no obligation to purchase or sell securities through such broker as we recommend. However, if you do not use Caldwell Sutter Capital, Inc. we may not be able to accept your account. See the *Fees and Compensation* section in this brochure for more information on the compensation received by registered representatives who are affiliated with our firm.

In limited circumstances, and at our discretion, some clients may instruct our firm to use one or more particular brokers for the transactions in their accounts. If you choose to direct our firm to use a particular broker, you should understand that this might prevent our firm from aggregating trades with other client accounts or from effectively negotiating brokerage commissions on your behalf. This practice may also prevent our firm from obtaining favorable net price and execution. Thus, when directing brokerage business, you should consider whether the commission expenses, execution, clearance, and settlement capabilities that you will obtain through your broker are adequately favorable in comparison to those that we would otherwise obtain for you.

Not all advisers require clients to direct brokerage.

## **Block Trades**

We combine multiple orders for shares of the same securities purchased for discretionary advisory accounts we manage (this practice is commonly referred to as "block trading"). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. Generally, participating accounts will pay a fixed transaction cost regardless of the number of shares transacted. In certain cases, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs on any given day. In the event an order is only partially filled, the shares will be allocated to participating accounts in a fair and equitable manner, typically in

proportion to the size of each client's order. Accounts owned by our firm or persons associated with our firm may participate in block trading with your accounts; however, they will not be given preferential treatment.

We do block trades for non-discretionary accounts where possible. Your ability to be included in our block trade on a non-discretionary basis may, however, be subject to our ability to contact you to recommend securities for your account. In the cases where we are unable to do so, non-discretionary accounts may pay different costs than discretionary accounts pay. If you enter into non-discretionary arrangements with our firm, we may not be able to buy and sell the same quantities of securities for you and you may pay higher commissions, fees, and/or transaction costs than clients who enter into discretionary arrangements with our firm.

### **Trade Errors**

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account.

*TD Ameritrade has merged with Charles Schwab & Co., Inc., ("Schwab"). All existing TD Ameritrade accounts will be transferred to Schwab's platform by the end of September 2023. Please review the above information related to the economic benefits we receive from Schwab's platform.*

### **Review of Accounts**

Reviews are both security and account, oriented. Account investments are typically concentrated in a limited number of securities, which are reviewed frequently and in depth. Caldwell relies on cross-reference files to relate securities to the accounts holding them. However, Caldwell does review accounts and take into account the client's stated objectives and circumstances, along with the weighting between *CS Value Equity* and *CS Value Income* securities in the account to monitor the appropriateness of the investments in the account.

Caldwell's principal officers review accounts assigned to them no less than annually. In addition, the Chief Compliance Officer, Christopher Anderson will also review holdings and account statements no less than annually.

Caldwell relies on periodic statements from the custodians of its clients' accounts, Wedbush Securities, Inc. and Charles Schwab furnish quarterly and any other month when the account is active.

Caldwell will not provide you with regular written reports. You will receive trade confirmations and monthly or quarterly statements from your account custodian(s).

### **Client Referrals and Other Compensation**

As disclosed under the *Fees and Compensation* section in this brochure, persons providing investment advice on behalf of our firm are registered representatives with Caldwell Sutter Capital, Inc., a securities broker-dealer, and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. For information on the conflicts of interest this presents, and how we address these conflicts, refer to the *Fees and Compensation* section.

We do not receive any compensation from any third party in connection with providing investment advice to you nor do we compensate any individual or firm for client referrals.

Refer to the *Brokerage Practices* section above for disclosures on research and other benefits we may receive resulting from our relationship with your account custodian.

## **Custody**

Caldwell does not act as custodian of client funds. Clients will receive account statements and trade confirmations directly from the custodian of their assets. These documents are the only documents that should be relied upon for tax filing and portfolio valuation purposes and are solely the responsibility of the custodian. Clients are urged to compare the portfolio appraisal and performance report sent by Caldwell with the reports provided by the custodian. Discrepancies should be brought to our attention immediately.

Caldwell has custody by allowing clients to request a standing letter of instruction or other similar asset transfer authorization arrangement (hereafter "SLOA"). These instructions allow the client to authorize the custodian to transfer or otherwise disburse assets to a third party upon receipt of notice from the advisor. Caldwell is subject to a surprise examination requirement each year in accordance with the custody Rule 206(4)-2.

## **Investment Discretion**

Caldwell Sutter Capital, Inc. may exercise discretion over its clients' accounts. The firm has the ability to establish both discretionary and non-discretionary accounts.

Suitability parameters, as the client and the adviser establish in the initial interview, are the overriding limitation on any discretion. Also, to exercise discretion, the firm must first obtain each client's written and signed permission to be able to do so, using a Limited Power of Attorney (LPOA) for that stated purpose. This LPOA is very limited in its use and only applies to approved assets held at the mutually agreed upon custodian. This allows the firm to make any necessary changes to the client's allocation. A client may revoke the permission at any time. For any client choosing to allow discretion with regard to the client's account(s), the firm will select securities and allocations that it determines to be appropriate in keeping with the client's stated guidelines. A client will always be informed of all such transactions through the confirmations sent from the custodian.

If you enter into non-discretionary arrangements with our firm, we will obtain your approval prior to the execution of any transactions for your account(s). You have an unrestricted right to decline to implement any advice provided by our firm on a non-discretionary basis.

## **Voting Client Securities**

Our policy is to not vote client proxies. It is your responsibility to vote proxies. We are, however, willing to advise you how to vote a proxy, if requested.

Under normal circumstances, your account is set up to allow issuers or their third party servicing agents to mail company specific information, including proxy materials, to you. You will always receive proxy materials forwarded from either these companies or forwarded from your custodian.

However, under specific circumstances that Caldwell determines at its discretion that an action taken by the issuer of securities in your account is detrimental to your interest in those securities, and where specific authorization exists in the advisory contract, Caldwell may vote or take other action regarding

proxies for securities in your account. Should such an instance occur, we would get written authorization for voting on your behalf which includes the action taken regarding proxies in your account and the reason for taking such action.

In the event that we do vote proxies on your behalf, we are only allowed to vote in your best interest. Any transactions that occur that are related to proxy voting will be under heightened supervision. No transaction may occur that would be at odds with your interests. A review of such transactions is performed by your adviser's supervisor.

When allowing for proxy voting, you will be sent, and may request at any time a copy of our policies and procedures with respect to proxy voting. You may also direct our vote in any proxy vote. You may also request how your adviser voted in any proxy vote by calling the number on the cover page of the brochure and asking for Compliance.

## **Financial Information**

Caldwell does not require or solicit prepayment of \$1,200 in fees per client six months in advance, so a balance sheet is not disclosed here. We have not filed a bankruptcy petition at any time in the past ten years. Further, there is no financial condition of Caldwell that is reasonably likely to impair our ability to meet contractual commitments to clients.