

## Item 1: Cover Page



**Registered Investment Advisor  
CRD # 286308**

### **Rapport Financial, LLC**

315 Montgomery Street 9<sup>th</sup> Floor  
San Francisco, CA 94104

**Telephone: (310)-383-6204**  
[www.rapportfinancial.com](http://www.rapportfinancial.com)

**FORM ADV PART 2A  
Firm Brochure**

**Dated March 30, 2023**

This Disclosure Brochure provides information about the qualifications and business practices of Rapport Financial, LLC ("Rapport Financial"). If you have any questions about the contents of this Disclosure Brochure, contact us at (310)-383-6204. The information in this Disclosure Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about Rapport Financial, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) and can be found using the firm's identification number, 286308. Rapport Financial LLC is registered as an investment adviser with the State of California and other states as appropriate. Registration of an Investment Advisor does not imply a certain level of skill or training.

## Item 2: Summary of Material Changes

Form ADV Part 2 requires registered investment advisers to amend their Disclosure 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 our firm's most recent annual updating amendment to this Brochure we have the following material changes to report:

- We amended this Brochure to disclose that we offer certain wealth management clients access to our Alternative Investment Network where clients may invest in Private Investments so long as the client qualifies as an Accredited Investor as defined in Rule 501 of Regulation D under the Securities Act of 1933. Please see Item 4 (*Advisory Business* section) and Item 8 (*Methods of Analysis, Investment Strategies and Risk of Loss* section) for more information.
- We amended this Brochure to disclose that our firm provides discretionary management services to certain held-away assets that are maintained in one or more of Client's retirement accounts, such as a 401(k) participant account. This discretionary management of Held-Away Assets is facilitated by an unaffiliated third-party web-based platform through which Client will complete a one-time setup process that enables us to effect any necessary security trades or portfolio rebalancing. Please refer to Item 4 (*Advisory Business Section*) of this Brochure for more information on these services.
- We amended this Brochure to disclose that our firm generally imposes a \$500,000 minimum account requirement to establish a managed account with our firm. Please refer to Item 5 (*Fees and Compensation* section) and Item 7 (*Types of Clients* section) for more information.
- We amended this Brochure to disclose that our firm now charges fees for Wealth Management Services on a quarterly in arrears basis. Please refer to Item 5 (*Fees and Compensation* section) of this Brochure for more information.
- We amended this Brochure to disclose a revised fixed fee range for financial planning projects. Please refer to Item 5 (*Fees and Compensation section*) for more information.

The firm may at any time update this document and either send a copy of its updated brochure or provide a summary of material changes to its brochure and an offer to send an electronic or hard copy form of the updated brochure. Clients are also able to download this brochure from the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or may contact our firm at (310) 383-6204 to request a copy at any time.

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

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## **Item 4: Advisory Business**

### **Description of Firm**

Rapport Financial LLC, ("Rapport Financial") was founded in January 2017. Our firm is organized as a limited liability company under the laws of the State of California, and we are based in San Francisco, California. Aaron Louis Hattenbach, CFP® is the Managing Member and sole owner, retaining a controlling interest of our firm. Further information about Hattenbach's background may be found in his accompanying brochure supplement.

The following paragraphs describe our services and fees. Please refer to the description of the investment advisory services listed below for information on how we tailor our advisory services to your individual needs. As used in this Disclosure Brochure, the words "we," "our," and "us" refer to Rapport Financial and the words "you," "your," and "client" refer to you as either a client or prospective client of our firm.

### **Types of Advisory Services**

Rapport Financial provides personalized comprehensive financial planning and wealth management services to individuals, families, retirement plans, pension plans, trusts, estates, charitable organizations, with a particular focus on doctors and business owners. Advice is provided through consultation with the client and may include: assessing existing financial assets, cash flow and liabilities, budgeting, determination of financial goals and objectives, investment management, equity compensation (stock options and restricted stock units), employee benefits optimization, hedging strategies, tax planning, insurance reviews and planning, education funding, retirement planning, estate planning, charitable giving, and working with client's other professional advisors.

Rapport Financial acts in a fiduciary capacity with its clients, which means that at all times we owe to our clients the highest legal duty of good faith and trust. As a fiduciary we are bound ethically to act in our client's best interests and our objective must be fully aligned with our clients' financial best interests. Any conflicts of interest will be disclosed to the client in the unlikely event they should occur.

We work with each client to inventory and evaluate their overall financial resources and help them to establish individual and family goals and objectives. Rapport Financial believes that its best client relationships are a result of our ability to build rapport by communicating effectively and navigating each client's family complexities and needs.

Rapport Financial does not act as a custodian of client assets. Client assets are always held at an independent third-party custodian, which in most cases is at TD Ameritrade and Charles Schwab.

Rapport Financial takes the time necessary to know each client and their family dynamic and endeavors in efforts to provide each client with the highest level of personal care. Importantly, within this context we monitor the changing needs of each client and strive to proactively address all relevant financial and investment matters. In an effort to build client relationships that are multi-generational, our clients' needs and interests are of paramount importance. The initial discovery meeting, which may be by telephone, in person or a video call (Zoom), is free of charge and is considered an exploratory interview to determine the extent to which financial planning and/or wealth management services may be beneficial to the client.

Advisory services are provided under the terms of a written advisory agreement executed by Rapport Financial and the client.

## **Vertically Partnered Wealth Management Service**

Rapport Financial offers Wealth Management Services for clients within the larger context of an overall disciplined financial planning and investment management process. Wealth management services consist of ongoing financial advice and discretionary management services where investment advice is tailored to meet your individual circumstances and investment objectives. These services include an initial discovery consultation, ongoing review consultations and specialized follow-up consultations, as may be agreed, to discuss your unique financial situation and changing needs over time. We will ask that you complete certain investor questionnaires, on-boarding forms, and/or other documents to assist us in gathering information about your financial needs and circumstances. This would include your investment experience, investment objectives, time horizon, liquidity needs, risk tolerance, tax circumstances, and various other financial factors necessary for us to develop a complete and thorough investor profile.

Based on our evaluation of the foregoing factors, we will use the information we gather to develop a personalized financial plan that creates the foundation for providing you with continuous and focused investment advice and/or to make investments on your behalf. Once we construct an investment portfolio for you, we will monitor your portfolio's performance on an ongoing basis and will rebalance the portfolio as appropriate. Clients are required to notify our firm immediately if their financial circumstances and/or investment objectives change from what has already been disclosed to our firm.

In order to provide discretionary management services, we require you to grant our firm discretionary authority to manage your account. Discretionary authorization allows us to determine the specific type and quantity of securities to be purchased or sold for your account without your approval prior to each transaction. In limited circumstances, and only upon our approval, we may accept client-imposed restrictions on investing in certain specific securities or types of securities.

Clients may engage Rapport to manage all or a portion of their assets on a discretionary or non-discretionary basis. Most of our client relationships are discretionary and we believe this structure permits us to implement our investment models and strategies more efficiently.

As part of our wealth management services, and for clients with over \$1,000,000 in assets under management with our firm, we offer access to our Alternative Investment Network where we, our partners, and our team of external specialists have conducted due diligence on such investment opportunities. In these arrangements, clients may invest in Private Investments so long as the client qualifies as an Accredited Investor as defined in Rule 501 of Regulation D under the Securities Act of 1933, and agrees that such investments are consistent with their investment objectives. Private Investments may be referred to as private placements, limited partnerships, limited liability companies, alternative investments, private funds, or otherwise. Prior to investing in Private Investments, clients will be provided the required legal investment documentation and must sign additional documents that are outside the scope of our advisory agreement. These documents may include, but are not limited to, a Private Placement Memorandum (PPM), Subscription Agreement, Operating Agreement, Limited Partnership Agreement, and Investor Questionnaire.

In addition, we also provide discretionary management services to certain held-away assets that primarily consist of retirement accounts, such as a 401(k) account. These services are provided on an unaffiliated third-party web-based platform where clients will go through a one-time setup process enabling our firm to make any necessary trades or rebalancing to their portfolios. Under no circumstances will we possess privileges that would impute custody to our firm under applicable rules and regulations, including, but not limited to: maintaining your account log-in credentials on file; having the ability to change your address on record or ability to authorize distributions from your accounts; or authorization to open any new accounts on your behalf through the web-based platform. These arrangements require clients to have a taxable account with a qualified custodian, such as TD Ameritrade or Charles Schwab, whereby our advisory fees will be deducted from.

Fees pertaining to this service are outlined in Item 5 of this brochure.

## **Financial Planning and Financial Consulting Services**

Rapport Financial offers comprehensive financial planning and financial consulting that typically involves a variety of advisory services regarding the management of the client's financial resources based upon an analysis of their individual needs. In general, financial planning and consulting will address any or all of the following areas of

concern: Business Planning, Cash Flow and Debt Management, Education Savings, Employee Benefits Optimization, Stock Options and Equity Compensation, Estate Planning, Financial Goals, Insurance (Life, Health, Disability, Long-Term Care, Home and Auto), Investment Analysis, Retirement Planning, Risk Management, Tax Planning Strategies.

Clients will be taken through establishing their financial goals and values around money. As part of our Financial Planning Service, clients engage Rapport Financial to prepare a written or an electronic financial plan, which may include: a net worth statement; a cash flow statement; an investment policy statement; a review of investment objectives, investment experience/knowledge, a review of investment accounts, including reviewing asset allocation and providing recommendations; strategic tax planning; a review of retirement accounts and recommendations for changes, if necessary; a review of insurance policies and recommendations for changes, if necessary; a review of equity compensation; one or more retirement scenarios; estate planning review and recommendations; and education planning with funding recommendations.

Such services are delivered as a one-time financial plan or as part of a consulting arrangement.

Early in the engagement you may be asked to provide current copies of the following documents to help us in populating your personalized financial plan:

**Financial Planning Checklist**

- Previous two years tax returns (personal and business)
- Business Profit and Loss Statement and Balance Sheet
- Breakdown of earned income/payroll stubs
- Listing of all concentrated stock positions
- Stock options summary statement/grant agreement
- 401(k) and other retirement account statements
- Employee Benefit Plan Descriptions
- Pension Plan Statement
- Disability Benefits Coverage
- Life and Health Insurance coverage and policies
- Brokerage Statements
- Bank Statements
- Statement of accounts/gifting to family/charities
- Current Will(s) and Trust(s)
- Mortgage, Loan (auto, student, personal) and credit card balances
- Inheritance

If you retain our firm for financial planning, we will meet with you either in person or virtually to gather information about your financial circumstances and objectives. As required, we will conduct follow-up interviews for the purpose of reviewing and/or collecting additional financial data. Once such information has been reviewed and analyzed, we will provide you with a personalized written financial plan with our financial planning recommendations designed to help you achieve your stated financial goals and objectives.

Financial planning recommendations are based on your financial situation at the time we provide our recommendations, and on the financial information you provide to our firm. You have the right to accept or reject our financial planning recommendations, and you may choose any firm to assist you with implementing and monitoring our recommendations.

Our financial planning process follows the 7-Step Financial Planning Process outlined by the CFP Board (see below). This provides the general framework for our written financial plan. Steps 1-5 are included in the construction of a personalized financial plan. Steps 6 and 7, Implementing the Recommendations, Monitoring Progress and Updating are offered to clients who continue working with our firm through either our Vertically Partnered Wealth Management Service or Ongoing Financial Planning Service.

**Step 1:** Understanding the Client's Personal and Financial Circumstances

**Step 2:** Identifying and Selecting Goals

**Step 3:** Analyzing the Client's Current and Potential Alternative Course(s) of Action

**Step 4:** Developing the Recommendation(s)

**Step 5:** Presenting the Recommendation(s)

**Step 6:** Implementing the Recommendations(s)

**Step 7:** Monitoring Progress and Updating

## Types of Investments

We primarily offer advice on mutual funds, exchange traded funds (ETFs), real estate investment trusts (REITs), equity, and fixed income securities. Additionally, we may advise you on any type of investment that we deem appropriate based on your stated goals and objectives, such as alternative private investments which may include: Real Estate, Private Equity, Private Credit, Venture Capital, Real Assets, Infrastructure Assets, Collectibles and Digital Assets. We may also provide advice on any type of investment held in your portfolio at the inception of our advisory relationship. You may request that we refrain from investing in particular securities or certain types of securities. You must provide these restrictions to our firm in writing.

## Wrap Fee Programs

Rapport Financial does not sponsor or manage wrap fee portfolio management programs.

## Assets Under Management

As of March 30, 2023, our firm manages \$23,295,715 in discretionary client assets.

## Item 5: Fees and Compensation

Please note, unless a client has received the firm's disclosure brochure at least 48 hours prior to signing the investment advisory contract, the investment advisory contract may be terminated by the client within five (5) business days of signing the contract without incurring any advisory fees. How we are paid depends on the type of advisory service we are performing. Please review the fee and compensation information below. Lower fees for comparable services may be available from other sources.

## Wealth Management Services

Our Wealth Management Fee is based on a percentage of the Assets in Client's Account(s) (and Private Investments, if any) and is set forth in the following annual (non-blended) flat tiered fee schedule\*:

Assets Under Management (and Private Investments, if any)	Annual Fee
\$0- \$1 million	1.20%
\$1 million- \$5 million	1.00%
\$5 million- \$10 million	0.75%
Above \$10 million	0.50%

\*For so long as Client maintains less than \$500,000 in assets under our management, we charge a Fixed Fee billed monthly in arrears ranging from \$250 to \$2,000 in lieu of the Wealth Management Fee schedule noted above. When Client's Assets designated to be under our management reaches \$500,000, Client will transition from the Fixed Fee to the Wealth Management Fee schedule noted above.

In general, we require a minimum of \$500,000 to open and maintain an Account. At our discretion, we may waive this minimum account requirement. For example, we may waive the minimum if Client appears to have significant potential for increasing assets to be under our management. We may also combine account values for Client and Client's minor children, joint accounts with a spouse, and other types of related accounts to meet the stated minimum. Other exceptions will apply to employees of Adviser and their relatives, or relatives of existing clients.

Please note, our Fees are negotiable and we do take a number of things into consideration including pre-existing client relationships, anticipated future additional assets, and other factors.

We will combine the Account values of family members living in the same household to determine the applicable Fee (unless instructed otherwise by Client). Combining Account values may increase the total Assets under our management, which may result in lower Fees based on the available breakpoints in our tiered Wealth Management Fee schedule stated above.

Our annual Wealth Management Fee is billed and payable quarterly in arrears based on a 365-day calendar year, and is calculated based on the value of Client's Account(s) on the last business day of the current calendar quarter, inclusive of uninvested cash and the value of the Private Investments under advisement, if any. The value of Private Investments for purposes of calculating the billable value of such Private Investments shall be provided by an independent and unaffiliated third-party source other than Adviser (such as the Private Investment's sponsor or third-party administrator) (the "Third-Party Valuation Source"), and may be updated from time to time by such Third-Party Valuation Source. In the absence of an updated valuation ascribed to the Private Investments by the Third-Party Valuation Source, the Private Investments will be valued at initial cost.

Where a wealth management client that qualifies as an Accredited Investor and has at least \$1,000,000 in assets under management with our firm elects to invest in Private Investments through our Alternative Investment Network, our firm charges the tiered Wealth Management Fee schedule stated above. These fees are also payable quarterly in arrears.

For example, an Account valued at \$2,000,000 would pay an effective annual fee of 1.00%, to be paid quarterly. This is determined by the following calculation:  $(\$2,000,000 \times 0.25\%) = \$5,000$  per quarter. If this Agreement is executed at any time other than the first day of a calendar quarter, Fees will apply on a pro-rata basis, which means that the Fee is payable in proportion to the number of days in the quarter for which this Agreement is in effect. No increase in Fees shall be effective without the prior consent of the Client. Client understands that consent is provided either by Client's affirmative action or failure to object within thirty (30) days after receiving notice of the increase in Fees. We may have other fee-paying arrangements that were negotiated with clients under previous arrangements. Advisory fees are directly debited from Client's Account(s) through the Custodian holding Client's funds and securities. Clients may also choose to pay our Fees by check or wire transfer.

Unless we agree to bill you directly, 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 the following requirements are met:

- You provide our firm with written authorization permitting the fees to be paid directly from your account held by the qualified custodian.
- We concurrently: (1) send the qualified custodian an invoice or statement of the amount of the fee to be deducted from the client's account; and, (2) send you an invoice or statement showing the formula used to calculate the fee, the value of the assets under management on which the fee is based, and the time period covered by the fee.
- The qualified custodian agrees to send you a statement, at least quarterly, indicating all amounts dispersed from your account including the amount of the advisory fee paid directly to our firm.

If you find any inconsistent or inaccurate information within these statement(s), please call our main office number located on the cover page of this Disclosure Brochure.

The agreement will continue in effect until terminated by either party on 7 days written notice to the other party. Termination of the agreement will not affect the validity of any action previously taken by Advisor under the agreement, liabilities or obligations of the parties from transactions initiated before termination of the agreement. Upon the termination of the agreement, Advisor will have no obligation to recommend or take any action with regard to the securities, cash or other investments in the account(s). Clients will incur a pro rata charge for services rendered prior to the termination of the agreement, which means you will incur advisory fees only in proportion to the number of days in the quarter for which you are a client. In instances where we are charging a fee in advance (typically, legacy relationships) and you have pre-paid advisory fees that we have not yet earned, you will receive a prorated refund of those unearned fees.



## Financial Planning and Financial Consulting Fees

We offer several Financial Planning and Financial Consulting Services under the following compensation arrangements:

- **Financial Plan Construction Fee:** For this financial plan deliverable, we charge a fixed fee between \$3,000 and \$10,000. Fixed fees are typically paid 50% in advance with the remaining portion due upon completion of services rendered (typically, within 2-3 months from date of engagement). Upon client request, we may negotiate other fee-paying arrangements.
- **Financial Consulting:** For financial consulting services we charge an hourly fee of \$400-500, which is negotiable in our sole discretion.

Financial Planning fees (including the upfront charge) may be waived or negotiable in certain cases. You will incur a pro rata charge for services rendered prior to the termination of the agreement. If you have pre-paid advisory fees that we have not yet earned, you will receive a prorated refund of those fees.

Our fees are negotiable depending upon the complexity and scope of the plan, your financial situation, and your objectives. In our sole discretion, we may negotiate other fee-paying arrangements. All important terms, including the fees you will pay and agreed upon payment arrangement, will be evidenced in the agreement that you sign with our firm.

Payment is made through a third-party payment processor such as PayPal or Venmo, or can be paid via Check or Wire Transfer.

## Other Types of Fees and Expenses

Our fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which may be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, and other third parties such as custodial fees, deferred sales charges, odd lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual fund and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to our fee, and we shall not receive any portion of these commissions, fees, and costs.

To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. For information on our brokerage practices, please refer to the *Brokerage Practices* section of this Disclosure Brochure.

## Compensation for the Sale of Securities or Other Investment Products

Mr. Hattenbach is also licensed as an independent insurance agent, and may earn commission-based compensation for selling insurance products to you. Based on a client's specific financial goals, Mr. Hattenbach may offer clients advice or products from those activities.

Compensation earned by Mr. Hattenbach in his separate capacity as a licensed insurance agent is separate and in addition to our advisory fees. These practices may present a conflict of interest because Mr. Hattenbach may have a financial incentive to sell insurance products to you. In efforts to mitigate any conflicts of interest, it is our firm's strict policy that our firm and Investment Advisor Representatives always act in our client's best interests, including with respect to the sale of commissionable products to advisory clients. Clients are under no obligation to purchase insurance products through any person affiliated with our firm.

## State of California Required Disclosures

To comply with CCR Section 260.238(j) we provide the following disclosure: *Lower fees for comparable services may be available from other sources.*

Pursuant to California Code of Regulations, 10 CCR Section 260.235.2, Rapport Financial hereby makes the following statement: a conflict exists between the interest of Rapport Financial and the interests of the client. Further, the client is under no obligation to act upon Rapport Financial's recommendations, and if the client elects to act on any of the recommendations, the client is under no obligation to affect the transactions through Rapport Financial.

All material conflicts of interest under CCR Section 260.238 (k) are disclosed regarding the investment adviser, its representatives or any of its employees, which could be reasonably expected to impair the rendering of unbiased and objective advice.

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

Rapport Financial does not accept performance-based fees or participate in side-by-side management. Performance-based fees are fees that are based on a share of a 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.

## **Item 7: Types of Clients**

### **Description**

Rapport Financial generally provides investment and financial advice to individuals, families, retirement plans, trusts, estates, charitable organizations, with a particular focus on doctors and business owners. Client relationships vary in scope and length of service.

### **Account Minimums**

In general, we require a minimum of \$500,000 to open and maintain a discretionary managed account. At our discretion, we may waive this minimum account size. For example, we may waive the minimum if you appear to have significant potential for increasing your assets under our management. We may also combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts to meet the stated minimum. Other exceptions will apply to employees of Rapport Financial and their relatives, or relatives of existing clients.

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

### **Our Methods of Analysis and Investment Strategies**

Our primary methods of investment analysis include: fundamental, passive investing, modern portfolio theory, long-term purchases and very infrequently short-term purchases.

**Fundamental analysis** involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience, and expertise of the company's management, and the outlook for the company's industry. The resulting data is used to measure the true value of the company's stock compared to the current market value. The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.

*Risk:* The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.

**Passive investing** involves building portfolios that are comprised of various distinct asset classes. The asset classes are weighted in a manner to achieve a desired relationship between correlation, risk and return. Funds that passively capture the returns of the desired asset classes are placed in the portfolio. The funds that are used to build passive portfolios are typically index mutual funds or exchange traded funds.

Passive investment management is characterized by low portfolio expenses (i.e. the funds inside the portfolio have low internal costs), minimal trading costs (due to infrequent trading activity), and relative tax efficiency (because the funds inside the portfolio are tax efficient and turnover inside the portfolio is minimal).

In contrast, active management involves a single manager or managers who employ some method, strategy or technique to construct a portfolio that is intended to generate returns that are greater than the broader market or a designated benchmark. Academic research indicates most active managers underperform the market.

**Modern Portfolio Theory** is a theory of investment which attempts to maximize portfolio expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, by carefully diversifying the proportions of various assets.

*Risk:* Market risk is that part of a security's risk that is common to all securities of the same general class (stocks and bonds) and thus cannot be eliminated by diversification.

**Long-Term Purchases** are when securities are purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.

*Risk:* Using a long-term purchase strategy generally assumes the financial markets will go up in the long-term which may not be the case. There is also the risk that the segment of the market that you are invested in or perhaps just your particular investment will go down over time even if the overall financial markets advance. Purchasing investments long-term may create an opportunity cost - "locking-up" assets that may be better utilized in the short-term in other investments.

**Short-Term Purchases** are when securities are purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations.

*Risk:* Using a short-term purchase strategy generally assumes that we can predict how financial markets will perform in the short-term which may be very difficult and will incur a disproportionately higher amount of transaction costs compared to long-term trading. There are many factors that can affect financial market performance in the short-term (such as short-term interest rate changes, cyclical earnings announcements, etc.) but may have a smaller impact over longer periods of time.

## **Material Risks Involved**

**All investing strategies we offer involve risk and may result in a loss of your original investment which you should be prepared to bear.** Many of these risks apply equally to stocks, bonds, commodities and any other investment or security. Material risks associated with our investment strategies are listed below.

**Market Risk:** Market risk involves the possibility that an investment's current market value will fall because of a general market decline, reducing the value of the investment regardless of the operational success of the issuer's operations or its financial condition.

**Small and Medium Cap Company Risk:** Securities of companies with small and medium market capitalizations are often more volatile and less liquid than investments in larger companies. Small and medium cap companies may face a greater risk of business failure, which could increase the volatility of the client's portfolio.

**Interest Rate Risk:** Bond (fixed income) prices generally fall when interest rates rise, and the value may fall below par value or the principal investment. The opposite is also generally true: bond prices generally rise when interest rates fall. In general, fixed income securities with longer maturities are more sensitive to these price changes. Most other investments are also sensitive to the level and direction of interest rates.

**Legal or Legislative Risk:** Legislative changes or Court rulings may impact the value of investments, or the securities' claim on the issuer's assets and finances.

**Inflation:** Inflation may erode the buying power of your investment portfolio, even if the dollar value of your investments remains the same.

### **Risks Associated with Securities**

Apart from the general risks outlined above which apply to all types of investments, specific securities may have other risks.

**Commercial Paper** is, in most cases, an unsecured promissory note that is issued with a maturity of 270 days or less. Being unsecured the risk to the investor is that the issuer may default.

**Common stocks** may go up and down in price quite dramatically, and in the event of an issuer's bankruptcy or restructuring could lose all value. A slower growth or recessionary economic environment could have an adverse effect on the price of all stocks.

**Corporate Bonds** are debt securities to borrow money. Generally, issuers pay investors periodic interest and repay the amount borrowed either periodically during the life of the security and/or at maturity. Alternatively, investors can purchase other debt securities, such as zero-coupon bonds, which do not pay current interest, but rather are priced at a discount from their face values and their values accrete over time to face value at maturity. The market prices of debt securities fluctuate depending on such factors as interest rates, credit quality, and maturity. In general, market prices of debt securities decline when interest rates rise and increase when interest rates fall. The longer the time to a bond's maturity, the greater its interest rate risk.

**Bank Obligations** including bonds and certificates of deposit may be vulnerable to setbacks or panics in the banking industry. Banks and other financial institutions are greatly affected by interest rates and may be adversely affected by downturns in the U.S. and foreign economies or changes in banking regulations.

**Municipal Bonds** are debt obligations generally issued to obtain funds for various public purposes, including the construction of public facilities. Municipal bonds pay a lower rate of return than most other types of bonds. However, because of a municipal bond's tax-favored status, investors should compare the relative after-tax return to the after-tax return of other bonds, depending on the investor's tax bracket. Investing in municipal bonds carries the same general risks as investing in bonds in general. Those risks include interest rate risk, reinvestment risk, inflation risk, market risk, call or redemption risk, credit risk, and liquidity and valuation risk.

**Options and other Derivatives** carry many unique risks, including time sensitivity, and can result in the complete loss of principal. While covered call writing does provide a partial hedge to the stock against which the call is written, the hedge is limited to the amount of cash flow received when writing the option. When selling covered calls, there is a risk the underlying position may be called away at a price lower than the current market price.

**Exchange Traded Funds** prices may vary significantly from the Net Asset Value due to market conditions. Certain Exchange Traded Funds may not track underlying benchmarks as expected.

**Investment Companies Risk.** When a client invests in open end mutual funds or ETFs, the client indirectly bears its proportionate share of any fees and expenses payable directly by those funds. Therefore, the client will incur higher expenses, many of which may be duplicative. In addition, the client's overall portfolio may be affected by losses of an underlying fund and the level of risk arising from the investment practices of an underlying fund (such as the use of derivatives). ETFs are also subject to the following risks: (i) an ETF's shares may trade at a market price that is above or below their net asset value; (ii) the ETF may employ an investment strategy that utilizes high leverage ratios; or (iii) trading of an ETF's shares may be halted if the listing exchange's officials deem such action appropriate, the shares are delisted from the exchange, or the activation of market-wide "circuit breakers"

(which are tied to large decreases in stock prices) halts stock trading generally. The Adviser has no control over the risks taken by the underlying funds in which client's invest.

Our investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial information, liquidity needs and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio. It is important that you notify us immediately with respect to any material changes to your financial circumstances, including for example, a change in your current or expected income level, tax circumstances, or employment status.

## **Tax Considerations**

Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you consult with a tax professional regarding the investing of your assets.

Moreover, custodians and broker-dealers must report the cost basis of equities acquired in client accounts on or after January 1, 2011. Your custodian will default to the First-In First-Out ("FIFO") accounting method for calculating the cost basis of your investments. 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. We 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. Past performance is in no way an indication of future performance.

## **Recommendation of Particular Types of Securities**

Rapport Financial primarily recommends mutual funds, exchange traded funds (ETFs), real estate investment trusts (REITs), equity and fixed income securities as part of its portfolio management services. Additionally, Rapport Financial may advise you on any type of investment, including alternative investments, that we deem appropriate 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. A description of the types of securities we may recommend to you and some of their inherent risks are provided below.

**Mutual Funds and Exchange Traded Funds:** Mutual funds and exchange traded funds ("ETFs") 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.

**Real Estate Investment Trusts:** A real estate investment trust ("REIT") is a corporate entity which invests in real estate and/or engages in real estate financing. A REIT reduces or eliminates corporate income taxes. REITs can be publicly or privately held. Public REITs may be listed on public stock exchanges. REITs are required to declare 90% of their taxable income as dividends, but they actually pay dividends out of funds from operations, so cash flow has to be strong or the REIT must either dip into reserves, borrow to pay dividends, or distribute them in stock (which causes dilution). After 2012, the IRS stopped permitting stock dividends. Most REITs must refinance or erase large balloon debts periodically. The credit markets are no longer frozen, but banks are demanding, and getting, harsher terms to re-extend REIT debt. Some REITs may be forced to make secondary stock offerings to repay debt, which will lead to additional dilution of the stockholders. Fluctuations in the real estate market can affect the REIT's value and dividends.

**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:** There are numerous ways of measuring the risk of bond securities (also known simply as "bonds" "bond," or "fixed income." Bonds are debt securities used to borrow money. In broad terms, the market prices of debt securities depend on such factors as interest rates, credit quality, and maturity. In general, market prices of debt securities decline when interest rates rise and increase when interest rates fall. The longer the time to a bond's maturity, the greater its interest rate risk.

As part of our firm's investment philosophy, we may also recommend to certain *accredited investors* to invest in private investments, including, but not limited to, private placements, limited partnerships, limited liability companies, alternative investments or private investment funds. Clients should be aware of the additional risks associated with investing in private investment funds. Private investment funds may lack transparency due to limited information. Private investment fund shares should be considered highly illiquid because they will not be listed on any national securities exchange and are subject to restrictions on transferability. Furthermore, the lack of a secondary market for trading private investment funds may result in greater price risk and potential for inaccuracies in determining fair market value. Other risks include, but are not limited to, market risk, concentration risk, and potentially less diversification if fund assets are concentrated in certain sectors or specific investments. Private funds are also subject to the risks of leverage, higher fees and additional layers of expenses, as well as the potential for greater volatility if fund assets are invested in a limited number of securities, or focus on particular sectors and geographical regions. If assets are invested in foreign securities, this exposes the fund to various geopolitical risks and currency fluctuations typically not applicable in the U.S. The potential for adverse changes in business and tax laws involves tax risk and heightened regulatory scrutiny. As a result, private investments should be considered to contain an above average amount of risk and the loss of principal is high. Prior to investing in private investments, clients will be provided the required legal investment documentation and must sign documents outside the scope of our firm's investment advisory agreement. These documents may include, but are not limited to: Private Placement Memorandum; Subscription Agreement; Operating Agreement; and/or, Limited Partnership Agreement.

**Limited Partnerships:** A limited partnership is a financial affiliation that includes at least one general partner and a number of limited partners. The partnership invests in a venture, such as real estate development or oil exploration,

for financial gain. The general partner has management authority and unlimited liability. The general partner runs the business and, in the event of bankruptcy, is responsible for all debts not paid or discharged. The limited partners have no management authority and their liability is limited to the amount of their capital commitment. Profits are divided between general and limited partners according to an arrangement formed at the creation of the partnership. The range of risks are dependent on the nature of the partnership and disclosed in the offering documents if privately placed. Publicly traded limited partnerships have similar risk attributes to equities. However, like privately placed limited partnerships their tax treatment is under a different tax regime from equities. You should speak to your tax adviser in regard to their tax treatment.

**Private Placements:** A private placement (nonpublic offering) is an illiquid security sold to qualified investors and is not publicly traded nor registered with the Securities and Exchange Commission. Private placements generally carry a higher degree of risk due to illiquidity. Most securities that are acquired in a private placement will be restricted securities and must be held for an extended amount of time and therefore cannot be sold easily. The range of risks are dependent on the nature of the partnership and are disclosed in the offering documents.

**Real Estate:** Real estate is increasingly being used as part of a long-term core strategy due to increased market efficiency and increasing concerns about the future long-term variability of stock and bond returns. In fact, real estate is known for its ability to serve as a portfolio diversifier and inflation hedge. However, the asset class still bears a considerable amount of market risk. Real estate has shown itself to be very cyclical, somewhat mirroring the ups and downs of the overall economy. In addition to employment and demographic changes, real estate is also influenced by changes in interest rates and the credit markets, which affect the demand and supply of capital and thus real estate values. Along with changes in market fundamentals, investors wishing to add real estate as part of their core investment portfolios need to look for property concentrations by area or by property type. Because property returns are directly affected by local market basics, real estate portfolios that are too heavily concentrated in one area or property type can lose their risk mitigation attributes and bear additional risk by being too influenced by local or sector market changes.

## Item 9: Disciplinary Information

We are required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of our advisory business or the integrity of our management. Rapport Financial does not have any required disclosures under this item.

## Item 10: Other Financial Industry Activities and Affiliations

We do not have any financial industry activities, affiliations or relationships that are material to our advisory business or to our advisory clients except as listed below.

Aaron Louis Hattenbach is licensed as an independent insurance agent, and may earn commission-based compensation for selling insurance products to you. Based on a client's specific financial goals, Mr. Hattenbach may offer clients advice or products from those activities.

Compensation earned by Mr. Hattenbach in his separate capacities as a licensed insurance agent is separate and in addition to our advisory fees. These practices may present a conflict of interest because Mr. Hattenbach may have a financial incentive to sell insurance products to you. In efforts to mitigate any conflicts of interest, it is our firm's strict policy that our firm and Investment Advisor Representatives always act in our client's best interests, including with respect to the sale of commissionable products to advisory clients. Clients are under no obligation to purchase insurance products through any person affiliated with our firm.

Any material conflicts of interest between you and our firm, or our employees are disclosed in this Disclosure Brochure. If at any time, additional material conflicts of interest develop, we will provide you with written notification of the material conflicts of interest or an updated Disclosure Brochure.

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

## **Description of Our Code of Ethics**

As a fiduciary, our firm and its associates have a duty of utmost good faith to act solely in the best interests of each client. Our clients entrust us with their funds and personal information, which in turn places a high standard on our conduct and integrity. Our fiduciary duty is a core aspect of our Code of Ethics and represents the expected basis of all of our dealings.

This code does not attempt to identify all possible conflicts of interest, and literal compliance with each of its specific provisions will not shield associated persons from liability for personal trading or other conduct that violates a fiduciary duty to advisory clients. A summary of the Code of Ethics' Principles is outlined below.

- Integrity-Associated persons shall offer and provide professional services with integrity.
- Objectivity-Associated persons shall be objective in providing professional services to clients.
- Competence-Associated persons shall provide services to clients competently and maintain the necessary knowledge and skill to continue to do so in those areas in which they are engaged.
- Fairness-Associated persons shall perform professional services in a manner that is fair and reasonable to clients, principals, partners, and employers, and shall disclose conflict(s) of interest in providing such services.
- Confidentiality-Associated persons shall not disclose confidential client information without the specific consent of the client unless in response to proper legal process, or as required by law.
- Professionalism-Associated persons' conduct in all matters shall reflect credit of the profession.
- Diligence-Associated persons shall act diligently in providing professional services. We will, upon request, promptly provide a complete code of ethics

Clients or prospective clients may obtain a copy of our Code of Ethics by contacting us at the telephone number on the cover page of this Disclosure Brochure.

## **Participation or Interest in Client Transactions**

Neither our firm nor any persons associated with our firm has any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this Disclosure Brochure.

## **Personal Trading Practices**

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 may have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. In efforts 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. As a fiduciary, it is our firm's obligation to act in our client's best interest.

# **Item 12: Brokerage Practices**

## **Factors Used to Select Custodians and/or Broker-Dealers**



For clients engaging our firm for wealth management services, clients must open one or more custodian accounts in their own name at an independent custodian with whom we maintain a relationship with. For clients in need of brokerage and custodial services, we typically recommend the use of TD Ameritrade, Inc. ("TD Ameritrade") and Charles Schwab & Co. (Charles Schwab). We believe that TD Ameritrade and Charles Schwab & Co provide quality execution services for our clients at competitive prices. We consider several factors in recommending a broker-dealer/custodian to a client, which generally include: ease of use, reputation, service execution, pricing and financial strength. We may also take into consideration the availability of the research and/or services received or offered by the broker-dealer/custodian.

Our firm participates in the institutional advisor programs (the "Program") offered by TD Ameritrade Institutional and Charles Schwab & Co. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. Schwab Institutional is a division of Charles Schwab & Co., Inc. ("Schwab" or "Schwab Institutional"), a registered broker-dealer, Member SIPC/NYSE.

TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Advisor receives some benefits from TD Ameritrade through its participation in the Program. As disclosed above, Advisor participates in TD Ameritrade's institutional customer program and Advisor may recommend TD Ameritrade to Clients for custody and brokerage services. There is no direct link between Advisor's participation in the program and the investment advice it gives to its Clients, although Advisor receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Advisor by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by Advisor's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit Advisor but may not benefit its Client accounts. These products or services may assist Advisor in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Advisor manage and further develop its business enterprise. The benefits received by Advisor or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, Advisor endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Advisor or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the Advisor's choice of TD Ameritrade for custody and brokerage services.

Charles Schwab & Co., Inc (Schwab Institutional) provides Rapport with access to its institutional trading and operations services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors at no charge to them. Schwab Institutional services include research, brokerage, custody, and access to mutual funds and other investments that are otherwise available only to institutional investors or would require a significantly higher minimum initial investment. Schwab also makes available to Rapport other products and services that benefit Rapport but may not benefit its clients' accounts. Some of these other products and services assist Rapport in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution, provide research, pricing information and other market data, facilitate payment of fees from its clients' accounts, and assist with back-office support, recordkeeping and client reporting. Many of these services generally may be used to service a number of Rapport's accounts. Schwab Institutional may also provide Rapport with other services intended to help Rapport manage and further develop its business enterprise. These services may include consulting, publications and presentations on practice management, information technology, business succession, regulatory compliance, and marketing. Schwab provides further discounts on its trading commissions to clients of investment advisory firms when the total asset value of a firm's client accounts in Schwab's custody reaches certain levels.

Rapport has maintained a strict arms-length business relationship with Charles Schwab & Co and TD Ameritrade. Neither Rapport nor its principals receive any fee, commission, preferential rate, products or other economic benefit for having firm clients maintain their accounts at Charles Schwab & Co or TD Ameritrade Institutional.

## **Research and Other Soft Dollar or Economic Benefits**

We do not have any soft dollar arrangements. However, as a registered investment adviser we have access to the institutional platform of your account custodians (TD Ameritrade and Charles Schwab & Co). As such, we will also have access to research products and services from your account custodians. These products may include financial publications, information about particular companies and industries, research software, and other products or services that provide lawful and appropriate assistance to our firm in the performance of our investment decision-making responsibilities. Such research products and services are provided to all investment advisers that utilize the institutional services platforms of these firms, and are not considered to be paid for with soft dollars. However, you should be aware that the commissions charged by a particular broker for a particular transaction or set of transactions may be greater than the amounts another broker who did not provide research services or products might charge.

## **Brokerage for Client Referrals**

We do not receive client referrals from broker-dealers in exchange for cash or brokerage services or research.

## **Directed Brokerage**

We routinely require that you direct our firm to execute transactions through TD Ameritrade and Charles Schwab & Co. As such, we may be unable to achieve the most favorable execution of your transactions and you may pay higher brokerage commissions than you might otherwise pay through another broker-dealer that offers the same types of services. Not all advisers require their clients to direct brokerage.

## **Block Trades**

We may 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 will not participate in block trading with your accounts.

# **Item 13: Review of Accounts**

## **Portfolio Management**

Aaron Louis Hattenbach, CFP®, Managing Member, will monitor your accounts on an ongoing basis and will conduct account reviews at least quarterly, to ensure the advisory services provided to you are consistent with your investment needs and objectives. Additional reviews may be conducted based on various circumstances, including, but not limited to: contributions and withdrawals; year-end tax planning; market moving events; security specific events; and/or, changes in your risk/return objectives. Clients will receive trade confirmations and monthly or quarterly statements from their account custodian(s). We generally do not deliver written reports in conjunction with our account reviews.

## **Financial Planning**

Aaron Louis Hattenbach, CFP® will review financial plans as needed, depending on the arrangements made with you at the inception of your advisory relationship to ensure that the advice provided is consistent with your investment needs and objectives. Generally, we will contact you periodically to determine whether any updates may be needed based on changes in your circumstances. Changed circumstances may include, but are not limited to, marriage, divorce, birth, death, inheritance, lawsuit, retirement, job loss and/or disability, among others. We recommend meeting with you at least annually to review and update your plan if needed. Additional reviews will be conducted upon your request and may be subject to our then current hourly rate. If you implement financial

planning advice, you will receive trade confirmations and monthly or quarterly statements from relevant custodians.

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

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.

Please 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.

## **Item 15: Custody**

As a paying agent for our firm, your independent custodian will directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your accounts may be deemed as "limited" custody over your funds or securities depending on the jurisdiction. We will never take physical custody of any of your funds and/or securities. 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 the following requirements are met:

- You provide our firm with written authorization permitting the fees to be paid directly from your account held by the qualified custodian.
- We concurrently: (1) send the qualified custodian an invoice or statement of the amount of the fee to be deducted from the client's account; and, (2) send you an invoice or statement showing the formula used to calculate the fee, the value of the assets under management on which the fee is based, and the time period covered by the fee.
- The qualified custodian agrees to send you a statement, at least quarterly, indicating all amounts dispersed from your account including the amount of the advisory fee paid directly to our firm.

You should compare our invoices with the statements from your account custodian(s) to reconcile the information reflected on each statement. If you have a question regarding your account statement, or if you did not receive a statement from your custodian, please contact us immediately at the telephone number on the cover page of this Disclosure Brochure.

## **Item 16: Investment Discretion**

If you engage us to perform discretionary portfolio management services, you must first sign our Wealth Management Agreement before we can buy or sell securities on your behalf. Discretionary authorization enables our firm to exercise discretion over the selection and amount of securities to be purchased or sold for your account(s) without obtaining your consent or approval prior to each transaction. You may specify, in writing, investment objectives, guidelines, and/or impose certain conditions or investment parameters for your account(s). For example, you may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio and/or restrictions or prohibitions of transactions in the securities of a specific industry or security.

## Item 17: Voting Client Securities

We will not vote proxies on behalf of your advisory accounts. At your request, we may offer you advice regarding corporate actions and the exercise of your proxy voting rights. If you own shares of applicable securities, you are responsible for exercising your right to vote as a shareholder.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward any electronic solicitations to vote proxies.

## Item 18: Financial Information

Our firm does not have any financial condition or impairment that would prevent us from meeting our contractual commitments to you. We do not: (1) take physical custody of client funds or securities; (2) serve as trustee or signatory for client accounts; and, (3) require the prepayment of more than \$500 in fees six or more months in advance. Therefore, we are not required to include a financial statement with this Disclosure Brochure. Our firm has never filed a bankruptcy petition.

## Item 19: Requirements for State-Registered Advisers

Please refer to the Part(s) 2B for background information about our principal executive officers, management personnel and those giving advice on behalf of our firm.

Aaron Hattenbach is primarily focused on building Rapport Financial and serving its clients, but has other business activities as follows:

Aaron holds the Life, Health, and Disability Insurance Licenses with the State of California. From time to time he will advise clients on these products and will always act in the best of interest of the client. Clients are in no way required to purchase any product or service through any representative of Rapport in such individual's capacities.

Neither our firm, nor any persons associated with our firm are compensated for advisory services with performance-based fees.

Neither our firm, nor any of our management persons have a material relationship or arrangement with any issuer of securities.

Neither our firm, nor any of our management persons have been involved in:

1. An award or otherwise being *found* liable in an arbitration claim alleging damages in excess of \$2,500, *involving* any of the following:

(a) an investment or an *investment-related* business or activity; (b) fraud, false statement(s), or omissions; (c) theft, embezzlement, or other wrongful taking of property; (d) bribery, forgery, counterfeiting, or extortion; or (e) dishonest, unfair, or unethical practices.

2. An award or otherwise being *found* liable in a civil, *self-regulatory organization*, or administrative proceeding involving any of the following:

(a) an investment or an *investment-related* business or activity; (b) fraud, false statement(s), or omissions; (c) theft, embezzlement, or other wrongful taking of property; (d) bribery, forgery, counterfeiting, or extortion; or (e) dishonest, unfair, or unethical practices.

### **State of California Required Disclosures**

All material conflicts of interest under CCR Section 260.238 (k) are disclosed regarding the investment adviser, its representatives or any of its employees, which could be reasonably expected to impair the rendering of unbiased and objective advice.

## **Part 2B Supplements**

### **Fiduciary Oath**

We believe in placing your best interests first. Therefore, we are proud to commit to the following five fiduciary principles: We will always put your best interests first. We will act with prudence; that is, with the skill, care, diligence, and good judgment of a professional. We will not mislead you, and we will provide conspicuous, full and fair disclosure of all-important facts. We will avoid conflicts of interest. We will fully disclose and fairly manage, in your favor, any unavoidable conflicts.

## **Item 20: Additional Information**

### **Your Privacy**

We view protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that we keep your personal information private and secure.

We do not disclose any nonpublic personal information about you to any non-affiliated third parties, except as permitted by law. In the course of servicing your account, we may share some information with our service providers, such as transfer agents, custodians, broker-dealers, accountants, consultants, and attorneys.

We restrict internal access to nonpublic personal information about you to employees, who need that information in order to provide products or services to you. We maintain physical and procedural safeguards that comply with regulatory standards to guard your nonpublic personal information and to ensure our integrity and confidentiality. We will not sell information about you or your accounts to anyone. We do not share your information unless it is required to process a transaction, at your request, or required by law.

You will receive a copy of our privacy notice prior to or at the time you sign an advisory agreement with our firm. Thereafter, we will deliver a copy of the current privacy policy notice to you on an annual basis. Contact our main office at the telephone number on the cover page of this Disclosure Brochure if you have any questions regarding this policy.

If you decide to close your account(s) we will adhere to our privacy policies, which may be amended from time to time.

If we make any substantive changes in our privacy policy that would further permit or require disclosures of your private information, we will provide written notice to you. Where the change is based on permitted disclosures, you will be given an opportunity to direct us as to whether such disclosure is acceptable. Where the change is based on required disclosures, you will only receive written notice of the change. You may not opt out of the required disclosures.

If you have questions about our privacy policies contact our main office at the telephone number on the cover page of this Disclosure Brochure and ask to speak to the Chief Compliance Officer.

### **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.

### **Class Action Lawsuits**

We do not determine if securities held by you are the subject of a class action lawsuit or whether you are eligible to participate in class action settlements or litigation nor do we initiate or participate in litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by you.

### ***General - Advisory Services to Retirement Plans and Plan Participants***

We offer various levels of advisory and consulting services to employee benefit plans ("Plan") and to the participants of such plans ("Participants"). Pursuant to adopted regulations of the U.S. Department of Labor, we are required to provide the Plan's responsible plan fiduciary (the person who has the authority to engage us as an investment adviser to the Plan) with a written statement of the services we provide to the Plan, the compensation we receive for providing those services, and our status (which is described below).

The services we provide to your Plan and the compensation we will receive are described in the service agreement that you have signed with our firm. We do not reasonably expect to receive any other compensation, direct or indirect, for the services we provide to the Plan or Participants, unless the plan sponsor directs us to deduct our fee from the plan or directs the plan record-keeper to issue payment for our fee out of the plan. If we receive any other compensation for such services, we will (i) offset the compensation against our stated fees, and (ii) we will promptly disclose the amount of such compensation, the services rendered for such compensation and the payer of such compensation to you.

We are registered as an investment adviser with the State of California and will register in other jurisdictions where required. We represent that our firm is not subject to any disqualification as set forth in Section 411 of ERISA. To the extent our firm provides Fiduciary Services, we are acting as a fiduciary of the Plan as defined either in Section 3(21) or Section 3(38) under the Employee Retirement Income Security Act ("ERISA"). The advisory agreement that you sign with our firm will indicate our fiduciary status.

### **IRA Rollover Considerations**

As part of our investment advisory services to you, we may recommend that you withdraw the assets from your employer's retirement plan and roll the assets over to an individual retirement account ("IRA") that we will manage on your behalf. If you elect to roll the assets to an IRA that is subject to our management, we will charge you an asset-based fee as set forth in the agreement you executed with our firm. This practice presents a conflict of interest because persons providing investment advice on our behalf have an incentive to recommend a rollover to you for the purpose of generating

fee-based compensation rather than solely based on your needs. You are under no obligation, contractually or otherwise, to complete the rollover. Moreover, if you do complete the rollover, you are under no obligation to have the assets in an IRA managed by our firm.

Many employers permit former employees to keep their retirement assets in their company plan. Also, current employees can sometimes move assets out of their company plan before they retire or change jobs. In determining whether to complete the rollover to an IRA, and to the extent the following options are available, you should consider the costs and benefits of:

1. Leaving the funds in your employer's (former employer's) plan.
2. Moving the funds to a new employer's retirement plan.
3. Cashing out and taking a taxable distribution from the plan.
4. Rolling the funds into an IRA rollover account.

Each of these options has advantages and disadvantages and before making a change we encourage you to speak with your CPA and/or tax attorney.

If you are considering rolling over your retirement funds to an IRA for us to manage here are a few points to consider before you do so:

1. Determine whether the investment options in your employer's retirement plan address your needs or whether you might want to consider other types of investments.
  - i. Employer retirement plans generally have a more limited investment menu than IRAs.
  - ii. Employer retirement plans may have unique investment options not available to the public such as employer securities, or previously closed funds.
2. Your current plan may have lower fees than our fees.
  - i. If you are interested in investing only in mutual funds, you should understand the cost structure of the share classes available in your employer's retirement plan and how the costs of those share classes compare with those available in an IRA.
  - ii. You should understand the various products and services you might take advantage of at an IRA provider and the potential costs of those products and services.
3. Our strategy may have higher risk than the option(s) provided to you in your plan.
4. Your current plan may also offer financial advice.
5. If you keep your assets titled in a 401k or retirement account, you could potentially delay your required minimum distribution beyond a certain age.
6. Your 401k may offer more liability protection than a rollover IRA; each state may vary.
  - i. Generally, federal law protects assets in qualified plans from creditors. Since 2005, IRA assets have been generally protected from creditors in bankruptcies. However, there can be some exceptions to the general rules so you should consult with an attorney if you are concerned about protecting your retirement plan assets from creditors.
7. You may be able to take out a loan on your 401k, but not from an IRA.
8. IRA assets can be accessed any time; however, distributions are subject to ordinary income tax and may also be subject to a 10% early distribution penalty unless they qualify for an exception such as disability, higher education expenses or the purchase of a home.
9. If you own company stock in your plan, you may be able to liquidate those shares at a lower capital gains tax rate.
10. Your plan may allow you to hire us as the manager and keep the assets titled in the plan name.

It is important that you understand the differences between these types of accounts and to decide whether a rollover is best for you. Prior to proceeding, if you have questions contact your investment adviser representative, or call our main number as listed on the cover page of this Disclosure Brochure.

#### **IRA Rollover Recommendations**

For purposes of complying with the DOL's Prohibited Transaction Exemption 2020-02 ("PTE 2020-02") where applicable, we are providing the following acknowledgment to you.

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.



## Item 1: Cover Page



### **Rapport Financial LLC**

315 Montgomery Street 9<sup>th</sup> Floor  
San Francisco, CA 94104  
(310)-383-6204

[www.rapportfinancial.com](http://www.rapportfinancial.com)  
[aaron@rapportfinancial.com](mailto:aaron@rapportfinancial.com)

## **Form ADV Part 2B-Individual Disclosure Brochure Supplement**

Dated March 30, 2023

For

### **Aaron Louis Hattenbach**

President and Managing Member  
Personal CRD Number: 5809884

This brochure supplement provides information about Aaron L. Hattenbach that supplements the Rapport Financial LLC ("Rapport Financial") brochure. You should have received a copy of that brochure. Please contact us at 310-383-6204 if you did not receive Rapport Financial's brochure or if you have any questions about the contents of this supplement.

Additional information about Rapport Financial LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) and can be found using the identification number 5809884.

Registration does not imply a certain level of skill or training

## Item 2: Educational Background and Business Experience

**Aaron Louis Hattenbach**

**Year of Birth:** 1987

**CRD Number:** 5809884

### **Educational Background**

- 2019- CERTIFIED FINANCIAL PLANNER™, CFP® Professional, Certified Financial Planner Board of Standards, Inc.
- 2019- College for Financial Planning (CFFP), CFP Certified Financial Planner™, CFP®
- 2010- NASAA Series 63 Uniform Securities Agent State Law Exam
- 2010- NASAA Series 65 Uniform Investment Advisor Law Exam
- 2009- Bachelor of Arts in Business and Politics, Brandeis University, Waltham MA

### **Business Background**

- 2017-Present, Rapport Financial LLC, San Francisco, CA. President, Managing Member, Owner, Chief Investment Officer, Chief Compliance Officer (Supervisor), Investment Advisor Representative
- 2018-2020, Emerson Equity, San Mateo, CA. Registered Representative.
- 2015-2016, Bank of America, Merrill Lynch, San Francisco, CA. Financial Advisor and Registered Representative.
- 2014-2015, Lending Club and Fintech Startups, San Francisco, CA. Sales and Consulting.
- 2012-2014, HighTower Advisors, LLC; HighTower Securities LLC, Los Angeles, CA. Associate Advisor and Registered Representative
- 2010-2012, Concentric Capital LLC, Beverly Hills, CA. Analyst.

### **Professional Designations, Licensing & Exams**

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

The CFP® certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP® certification. It is recognized in the United States and a number of other countries for its (1) high standard of professional education; (2) stringent code of conduct and standards of practice; and (3) ethical requirements that govern professional engagements with clients. Currently, more than 71,000 individuals have obtained CFP® certification in the United States.

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

- Education – Complete an advanced college-level course of study addressing the financial planning subject areas that CFP Board’s studies have determined as necessary for the competent and professional delivery of financial planning services, and attain a Bachelor’s Degree from a regionally accredited United States college or university (or its equivalent from a foreign university). CFP Board’s financial planning subject areas include insurance planning and

risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning;

- Examination – Pass the comprehensive CFP® Certification Examination. The examination includes case studies and client scenarios designed to test one's ability to correctly diagnose financial planning issues and apply one's knowledge of financial planning to real world circumstances;
- Experience – Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year); and
- Ethics – Agree to be bound by CFP Board's Standards of Professional Conduct, a set of documents outlining the ethical and practice standards for CFP® professionals

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

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

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

## **Item 3: Disciplinary Information**

Form ADV Part 2B requires disclosure of certain criminal or civil actions, administrative proceedings, and self-regulatory organization proceedings, as well as certain other proceedings related to suspension or revocation of a professional attainment, designation, or license. No management person at Rapport Financial LLC has ever been involved in an arbitration claim of any kind or been found liable in a civil, self-regulatory organization or administrative proceeding. There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of this advisory business.

## **Item 4: Other Business Activities**

Aaron Louis Hattenbach's primary focus is on building Rapport Financial and serving its clients, but has other business activities as follows:

Aaron Louis Hattenbach holds the Life, Health, and Disability Insurance Licenses with the State of California. From time to time he will advise clients on these products but will always act in the best of

interest of the client. Clients should be aware that these services pay a commission and involve a possible conflict of interest, as commissionable products can conflict with the fiduciary duties of a registered investment adviser. Rapport Financial LLC always acts in the best interest of the client; including in the sale of commissionable products to advisory clients. Clients are in no way required to purchase any product or service through any representative of Rapport in such individual's capacities.

Aaron Louis Hattenbach provides part-time consulting and coaching services to other financial advisors seeking to launch their own independent registered investment advisory businesses. This activity accounts for less than 5% of his time.

## **Item 5: Additional Compensation**

Aaron Louis Hattenbach does not receive any additional compensation for providing advisory services beyond those business activities noted in Item 4.

## **Item 6: Supervision**

As the President, Managing Member, Owner, Chief Compliance Officer (Supervisor), Investment Advisor Representative of Rapport Financial, Aaron Louis Hattenbach supervises the advisory activities of our firm. To this end, Aaron ensures that all Investment Advisor Representatives adhere to all required regulations regarding the activities of an Investment Adviser Representative, as well as all policies and procedures outlined in the firm's Code of Ethics and compliance manual. Aaron Louis Hattenbach can be reached at 310-383-6204.

## **Item 7: Requirements for State Registered Advisers**

*This disclosure is required by state securities authorities and is provided for your use in evaluating this investment advisor representative's suitability.*

- A) Aaron Louis Hattenbach has NOT been involved in any of the events listed below:
1. An award or otherwise being found liable in an arbitration claim alleging damages in excess of \$2,500, involving any of the following:
    - a) An investment or an investment-related business or activity
    - b) Fraud, false statement(s), or omissions
    - c) Theft, embezzlement, or other wrongful taking of property
    - d) Bribery, forgery, counterfeiting, or extortion
    - e) Dishonest, unfair or unethical practices
  2. An award or otherwise being found liable in a civil, self-regulatory organization, or administrative proceeding involving any of the following:
    - A) An investment or an investment-related business or activity
    - B) Fraud, false statement(s), or omissions
    - C) Theft, embezzlement, or other wrongful taking of property
    - D) Bribery, forgery, counterfeiting, or extortion
    - E) Dishonest, unfair or unethical practices
- B) Aaron Louis Hattenbach has NOT been the subject of a bankruptcy.