# Potentia RIA, LLC dba Potentia Wealth

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**Form ADV Part 2A – Disclosure Brochure**

**Effective: March 2025**

This Part 2A of Form ADV ("Brochure") provides information about the qualifications and business practices of Potentia RIA, LLC. dba Potentia Wealth ("Potentia" or "us" or "we" or the "Firm"). If you have any questions about the contents of this Brochure, please contact us at (408) 288-7886 or ask@potentiawealth.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. Registration does not imply a certain level of skill or training.

Additional information about Potentia RIA also is available on the SEC's website at www.adviserinfo.sec.gov. The site may be searched by a unique identifying number known as a CRD number. Potentia RIA's CRD number is 329135.

## ITEM 2: MATERIAL CHANGES

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

Generally, Potentia will notify clients of material changes on an annual basis. However, when we determine that an interim notification is either meaningful or required, we will notify our clients promptly. We encourage all current and prospective clients to read this Disclosure Brochure and discuss any questions you have with us. Should you have any additional questions or concerns regarding Potentia or the contents of this Brochure, please contact Kevin Swanson, Chief Compliance Officer by phone at (408) 288-7886. Alternatively, you can view the current Disclosure Brochure online at the SEC's Investment Advisor Public Disclosure website at www.advisorinfo.sec.

### MATERIAL CHANGES

The last filing of our Disclosure Brochure was dated May 10, 2024. Since that time, we have made the following changes:

- Item 4 – Updated to include a description of the Strategic Wealth Management ("SWM") program and the difference of a wrap and non-wrap fee structure under SWM. We also updated our assets under management as of December 31, 2024.
- Items 10 and 12 – Included descriptions of the types of compensation, research and other benefits that Potentia and its Supervised Persons receive from LPL and other third parties and the potential conflicts of interest that such arrangements may present.
- Item 15 – Noted that Potentia is deemed to have custody through its ability to make third party transfers on behalf of clients when authorized via a standing letter of authorization ("SLOA").

In addition, we have made non-material changes to clarify or enhance existing disclosures throughout this Disclosure Brochure.

## ITEM 3: TABLE OF CONTENTS

## ITEM 4: ADVISORY BUSINESS

### A. FIRM DESCRIPTION

Potentia RIA, LLC dba Potentia Wealth ("Potentia" or "Firm" or "us" or "we") is a California Limited Liability company that was founded in October 2023. Potentia is a Securities and Exchange (SEC) advisor based in San Jose, California.[1]

Kevin C. Swanson is the Principal Owner of Potentia. Additional information about Mr. Swanson's background may be found in the accompanying Form ADV Part 2B Brochure Supplement.

### B. TYPES OF ADVISORY SERVICES

#### OVERVIEW OF SERVICES

Potentia dedicates itself to understanding the intricacies of each client. For all services described below, we tailor our products in accordance with the client-specific needs obtained from documented discussions, a financial plan and/or risk assessment. Before providing investment management services, Potentia takes multiple factors into consideration, including, but not limited to, investment objectives, investment horizon, risk tolerance, as well as any reasonable guidelines and restrictions a client may need or impose.

#### INVESTMENT ADVISORY SERVICES

Potentia's investment advisory services include, but are not limited to, the following:

- Portfolio Management Services
- Financial Planning Services
- Selection of Other Advisors

#### PORTFOLIO MANAGEMENT SERVICES

We primarily provide discretionary portfolio management services to our clients, based on the specific needs and objectives of such persons and the suitability of products and services. For discretionary accounts, we are authorized to perform various functions without further approval from the client, such as the determination of securities to be purchased or to be sold for the client's account without permission from the client prior to each transaction. Advisor Managed Portfolios are managed on a discretionary basis though certain Investment Advisor Representative's ("IARs") clients may engage the Firm to provide advice on a non-discretionary basis. Account management is guided by the stated objectives of the client. We do not act as a custodian of client assets, and the client always maintains control of their assets.

[1] Registration does not imply a certain level of skill or training.

Below is a description of custodians and related account platforms used to provide Direct Asset Management Services. The majority of our clients' assets are custodied through LPL Financial LLC ("LPL"), which also offers certain asset management programs we utilize for our clients.

**Strategic Wealth Management ("SWM")** – The SWM platform allows our IARs to provide ongoing investment advice and management on assets in an account separately identified to a client and separately managed on behalf of a client. Our IARS may provide advice on the purchase and sale of various types of investments, such as mutual funds, exchange-traded funds ("ETFs"), variable annuity subaccounts, business development companies ("BDCs"), private equity, real estate investment trusts ("REITs"), equities, and fixed income securities. We provide advice that is tailored to the individual needs of the client based on the investment objective chosen by the client. Clients can impose restrictions on investing in certain securities or groups of securities by indicating in the client's account application. SWM is available on a wrap (SWM II) and a non-wrap fee (SWM I). See below for additional information.

**Model Wealth Portfolios ("MWP")** – The MWP platform is a professionally managed mutual fund and exchange-traded fund ("ETF") asset allocation program. Our IARs will initiate the steps necessary to open an MWP account and have discretion to select a model portfolio designed by LPL's Research Department or a third-party investment strategist, consistent with the client's stated investment objective. LPL's Research Department or third-party portfolio strategists are responsible for selecting the mutual funds or ETFs within a model portfolio and for making changes to the mutual funds or ETFs selected. The client will authorize LPL to act on a discretionary basis to purchase and sell mutual funds and ETFs and to liquidate previously purchased securities. The client will also authorize LPL to effect rebalancing for MWP accounts. MWP requires a minimum asset value for a program account to be managed, and the minimums vary depending on the portfolio(s) selected and the account's allocation amongst portfolios. The lowest minimum for a portfolio is $25,000. In certain instances, a lower minimum for a portfolio is permitted.

**Optimum Market Portfolios ("OMP")** - The OMP platform is a managed mutual fund asset allocation platform. Clients invest in one or more model portfolios designed by LPL's Research Department, which consist of up to six mutual funds from the Optimum Family of Funds.

**Manager Access Select ("MAS")** - The MAS platform provides clients with access to the investment advisory services of third party asset managers ("TPAMs").

Before engaging us to provide any of the investment advisory services, we require that the client review and sign a written investment management agreement ("IMA"). The IMA outlines the services and fees the clients will incur pursuant to the IMA with Potentia.

Upon signing the IMA, we will meet with the client to understand their current financial situation, existing resources, financial goals, and risk tolerance. Based on what is learned, an investment approach is presented to the client. Portfolios will be designed to meet a particular investment goal, determined to be suitable to the client's situation. Once the appropriate portfolio is determined, portfolios are continuously and regularly monitored and, if necessary, rebalanced based upon the client's individual needs, stated goals, and objectives.

## FINANCIAL PLANNING SERVICES

We provide our clients with an in-depth analysis of their current financial situation, as well as detailed recommendations relating to the client's financial goals. Financial Planning services offered by the Firm are provided either on a stand-alone fixed fee basis or an ongoing subscription fee basis. Financial planning services do not involve active management of client accounts but instead focus on a client's overall financial situation. Financial planning can be described as helping an individual to determine and set their long-term financial goals through investments, tax planning, asset allocation, risk management, retirement planning, and other means. The role of the financial planner is to find ways to help the client understand their overall financial situation and set investment objectives.

Subscription fees allow an advisor to spread the billing of their consulting and financial planning fees out over a longer term for convenience to a client/family. The fees are billed monthly for subscription financial planning services.

The Firm also offers stand-alone financial plans. The financial planning fee will consist of a deposit, and balance due upon presentation of plan to the client.

Our Firm uses a technology payment program for the convenience of our clients (AdvicePay, QuickBooks). We also allow our clients to pay by check or by debiting from the client's account. We use these systems to track payments, provide transparency, and allow cancellation of payments by a client. When a client chooses to pay through AdvicePay, QuickBooks or by credit card, there are additional processing and transaction fees incurred. AdvicePay charges an ACH fee of 1.5 percent, credit card fees have a processing fee of 3.5 percent plus a $0.30 per transaction fee. QuickBooks charges an ACH processing fee of 1 percent and a credit card processing fee of 2.99 percent. Clients who engage in financial planning and consulting services will be provided with a separate agreement to outline the scope of engagement and disclose all aspects of the services provided to include billing and obligations of the advisor.

An inherent conflict exists between the interests of Potentia and the interests of the client when we make investment recommendations in the financial plan. However, the client is under no obligation to act upon Potentia's recommendations. Furthermore, should the client elect to act on any recommendation made by Potentia, the client is under no obligation to affect the transaction through the Firm.

## C. TAILORED RELATIONSHIPS

At Potentia, we offer the same suite of investment management and financial consulting services to all our clients. The investment management services and recommendations offered by Potentia are based on the individual needs of our clients and the suitability of products and services. Specific client financial plans and their implementation are dependent upon the client's risk assessment which outlines each client's current situation (income, objectives, and risk tolerance levels) and is used to construct a client-specific plan to aid in the selection of a portfolio that matches restrictions, needs, and targets.

## D. WRAP FEE PROGRAMS

Most Potentia client accounts participate in wrap fee programs sponsored and managed through the Firm's relationship with LPL as the custodian. Wrap Fee Programs are arrangements between broker-dealers, investment advisers, banks and other financial institutions, and affiliated and unaffiliated investment advisers through which the clients of such firms receive discretionary investment management, execution, clearing and custodial services in a "bundled" form. In exchange for these "bundled" services, the clients pay an all-inclusive (or "wrap") fee determined as a percentage of the assets held in the wrap account.

SWM I is a non-wrap fee account were our annual investment advisory fee (outlined below) is separate from, and in addition to, as applicable, either the custodial asset-based charge or the custodial transaction-based charges. A non-wrap fee account will be charged other custodial charges, such as ticket charges for foreign stocks and American Depositary Receipts ("ADRs"). There is no significant difference between how our IARs manage SWM I accounts where the client bears transaction fees and SWM II accounts where the client does not. Clients who participate in SWM should refer to the SWM Account Packet that outlines whether the Client or Potentia (and its IAR) are responsible for the transaction fees and expenses. The investment strategy, investments and related transactions will impact whether a client will pay more in a non-wrap versus a wrap fee account.

Potentia does not sponsor or act as a Portfolio Manager for Wrap Fee Programs and therefore, is not required to have an ADV Part 2A, Appendix 1 ("Wrap Brochure"). However, dependent upon the service we believe best fits our client's risk tolerance and investment objectives, a separate LPL Wrap Brochure describing their services in more detail will be provided, as applicable.

## E. ASSETS UNDER MANAGEMENT

As of December 31, 2024, Potentia reports $485,539,198 in client assets on a discretionary basis and $0.00 on a non-discretionary basis.

# ITEM 5: FEES AND COMPENSATION

## A. FEE SCHEDULE

### PORTFOLIO MANAGEMENT SERVICES

Potentia will charge clients ongoing fees for portfolio management services based on the total assets held in all household accounts under Potentia's management. The portfolio management fees are calculated as a percentage of the Client's assets under management, including all cash and other assets in the Account(s) (the "Account Value"), as follows:

Clients pay an annual advisory fee in advance on a quarterly basis between 2.0% and 0.6%. The investment management fee charged is subject to negotiation with each client based on the client's characteristics and may differ from client to client. Lower fees for investment management services may be available from other sources.

Clients are generally billed from their advisory accounts and will also have the option for direct billing or flexible billing from another account, if applicable.

Clients with assets in the MAS, MWP, and OMP Programs will also pay fees to other third parties, such as a Portfolio Manager fee, and platform fee which typically ranges from 0.15% to 1% of account assets per year. On occasion, a Portfolio Manager may agree not to receive a fee. Our broker/custodians will charge you a flat dollar amount as a “prime broker” or “step-out” fee for each trade that a Portfolio Manager executed by a different broker-dealer but where the securities bought, or the funds sold are settled into your account. These fees are in addition to the fee you pay us. Clients are encouraged to review the disclosure brochures for selected third parties before investing, for more information regarding the additional fees and expenses they will be paying. Since Potentia began providing these services, it has had other fee structures in effect, which may have been lower or higher, as the case may be, than that described above. As new fee structures are put into effect, they are generally made applicable only to new Clients, and fees to existing Clients are generally not affected.

Legacy clients may be subject to a fee schedule that differs from the above-stated fee schedule, based on the investment management agreement signed at time of engagement.

### FINANCIAL PLANNING SERVICES

Potentia’s Financial Planning Services are charged through a fixed fee or subscription fee arrangement as agreed upon between the client and the IAR. Fees are negotiable and vary depending upon the complexity of the client’s situation and the services provided. Fixed fees typically range from $2,500 to $50,000 depending on the complexity of the project and services. If additional services or changes to the engagement which exceed the estimated fee are required, Potentia will notify the client as soon as possible to discuss the necessary additional fees. A time estimate is provided prior to initiating additional work, and client approval is required.

## B. PAYMENT OF FEES

### PORTFOLIO MANAGEMENT SERVICES

In determining the fee on client accounts, unless otherwise specified, fees are charged in advance on a quarterly basis between 2.0% and 0.6%. The investment management fee charged is subject to negotiation with each client based on the client’s characteristics and may differ from client to client. Lower fees for investment management services may be available from other sources.

The client’s first billing cycle will be prorated based on the number of days the client’s account was opened and how much was funded into the account during their first quarter. For Clients billed in advance, upon the termination of an account, any prepaid, Portfolio Management fees will be prorated according to the days the account was opened during the billing period, and excess fees will be refunded to the Client.

Fees due to Potentia are typically deducted by the custodian directly from the client’s account under management and will be paid to Potentia as appropriate. The client will provide written authorization permitting the fees to be paid directly from the account. Both Potentia's IMA and the custodial / clearing agreement may authorize the custodian to debit the account for Potentia's investment management fees and to directly remit that fee to Potentia in compliance with regulatory procedures.

#### FINANCIAL PLANNING SERVICES

Potentia will bill the client for their financial planning services based on the scope of services rendered. The Firm offers Financial Planning services on a subscription fee basis and a stand-alone plan basis. Clients' subscription based financial planning fees can range from $250 to $1000 monthly. Stand-alone financial planning fees paid will be a minimum of $2,500 based upon the complexity of the client's financial situation. Stand-alone financial plans can be updated for a minimum fee of $500, depending on the complexity of the changes needed. Potentia reserves the right to reduce the financial planning fees at the advisor's discretion. All fees will be disclosed and agreed-upon before services are provided. Clients will pay a deposit up front and will receive an invoice for the balance due at the completion of the service. Payment must be remitted within ten (10) days from receipt of invoice. Payment may be made by credit card, check or ACH. Financial plans are generally delivered within 30 days of engagement.

#### SELECTION OF OTHER ADVISORS

Clients are responsible for their own legal fees regarding private placements and alternative investments that are recommended by the Firm. These fees are not billed by the Firm and are the direct responsibility of the client.

### C. OTHER FEES AND PAYMENTS

There may be additional fees or charges that result from the maintenance of or trading within a client's account. These are fees that are imposed by third parties in connection with investments made through a client's account, such as trading, exchange, custodial and investment management fees. In addition to our investment management fees, clients are responsible for paying all fees associated with investing their accounts. When a client chooses to pay financial planning fees through AdvicePay, QuickBooks or by credit card, there are additional processing and transaction fees incurred as detailed above in Section 4 under Financial Planning Services.

### D. PREPAYMENT OF FEES

#### PORTFOLIO MANAGEMENT SERVICES

Potentia's fees are due quarterly and paid in advance. If the client does not receive this Brochure at least forty-eight (48) hours prior to signing the IMA with Potentia, the client may terminate the agreement within five (5) business days of signing the IMA without incurring any penalties. The client and Potentia may voluntarily terminate the engaged investment management services for any reason with thirty (30) days written notice to the other party delivered by electronic communication or US Mail. The date of receipt of the written notice will be the effective date of termination. Upon termination of portfolio management services, we will conduct a fee reconciliation that will determine whether a refund is owed to the client, or if there are outstanding fees due from the client.

### E. OTHER COMPENSATION

Certain IARs of Potentia are also registered with LPL Financial as FINRA broker-dealer registered representatives. This information is further detailed as disclosed in Item 10. In these capacities, individuals will collect additional compensation in the form of commissions.

Additional compensation is also being received for Investment Advisor Representatives that provide tax services under Potentia Tax. This information is further detailed in Item 10.

Some of Potentia's IARs provide insurance services as independent insurance agents. When Potentia's IARs act in this capacity, they will receive additional compensation in the form of commissions. This information is further detailed as disclosed in Item 10.

## ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

### A. PERFORMANCE BASED COMPENSATION

**Potentia does not assess Performance Based Fees.**

Performance-Based Fees ("Performance Fees") are based on a share of the capital gains or capital appreciation of the assets of a client. Potentia does not charge performance-based fees for alternative investments recommended to clients.

### B. SIDE-BY-SIDE MANAGEMENT

**Potentia does not provide Side-By-Side Management.**

"Side-by-Side Management" refers to a situation in which the same adviser manages accounts that are billed based only on a percentage of assets under management and at the same time manages other accounts for which fees are performance-based.

## ITEM 7: TYPES OF CLIENTS

Potentia generally provides investment management services to high-net-worth individuals, individuals, pension and profit-sharing plans, and charitable organizations. In addition, Potentia may also provide investment advisory services to corporations and businesses.

We do not require clients to have a minimum account balance to open or maintain their account with us. However, certain investment programs discussed in Item 4 require annual minimum fees or minimum asset levels for participation. Clients should consult with their IARs about the implications of such minimum requirements before investing in such programs or products.

## ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

### A. METHODS OF ANALYSIS & INVESTMENT STRATEGIES

**Methods of Analysis**

Potentia uses the methods of analysis identified below to determine the proper investment strategy for each client. Our strategies are heavily based on each client's personal circumstances, financial goals, and their risk tolerance. We utilize a blend of strategic approaches and strategies that enable us to allocate client assets by liquidity and time horizon.

***Fundamental analysis*** concentrates on factors that determine a company's value and expected future earnings. It involves analyzing its financial statements and health, its management and competitive advantages and its competitors and markets. Fundamental analysis is performed on historical and present data but with the goal of making financial forecasts. There are several possible objectives: to conduct a company stock valuation and predict its probable price evolution; to make a projection on its business performance; to evaluate its management and make internal business decisions and to calculate its credit risk. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.

***Technical analysis*** is a method of evaluating securities by relying on the assumption that market data, such as charts of price, volume and open interest can help predict future (usually short-term) market trends. It attempts to predict a future stock price or direction based on market trends. Technical analysis assumes that market psychology influences trading in a way that enables predicting when a stock will rise or fall. Technical analysis methods employ software and other financial data management tools to assess various aspects of the marketplace. The risk is that markets do not always follow patterns and relying solely on this method may not work long term.

***Top-Down analysis*** is a method of analyzing securities by starting with the big picture and then narrowing down to the specific details. This strategy includes macroeconomic analysis, geopolitical and capital market conditions, business regulations and industry developments. The analysis is used to determine what areas have the most favorable conditions for investing. The next step is to analyze the sectors or industries within the selected area that are expected to benefit from the macroeconomic trends. The final step in the analysis is to evaluate individual stocks or securities within the chosen sectors or industries based on fundamental analysis. This may include looking at financial statements, earning reports, valuation ratios, competitive advantages, growth prospects and dividend policies. These factors are compared across different stocks or securities to select the ones that have the most attractive features and potential returns.

**Investment Strategy**

Our approach to investment management is derived from the belief that hard work is rewarded, a clear mind makes the best decisions, and that people are deeper than their pockets. We know our clients and they know us. It is a bond of mutual trust and appreciation - something we do not take for granted. We strive to minimize fees and tax implications but recognize that the ultimate goal for our clients is not the mitigation of costs, but the overall growth of their assets. We focus on what has been proven, over time, to produce results. We believe the most effective means of outperforming the market is to use creative analysis, to research our investments diligently, and to exercise cautious decisiveness.

## B. RISK OF LOSS

***Clients must be aware that investing in securities involves risk of loss of the principal.***

Every method of analysis has its own inherent risks. To perform an accurate investment analysis Potentia must have access to current market information. Potentia has no control over the dissemination rate of market information; therefore, unbeknownst to Potentia certain analyses may be compiled with old and inaccurate market information, severely limiting the value of Potentia's analysis. Furthermore, an accurate investment analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Potentia) will be profitable or equal any specific performance level(s). Potentia does not represent, warrant, or imply that its 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. Notwithstanding Potentia's method of analysis or investment strategy, the assets within the client's portfolio are subject to risk of devaluation or loss. The client should be aware that there are many different events that can affect the value of the client's assets or portfolio including, but not limited to, changes in financial status of companies, market fluctuations, changes in exchange rates, trading suspensions and delays, economic reports, and natural disasters.

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic, and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar will be worth more today than a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Prepayment Risk:** The returns on the collateral for the deal can change dramatically at times if the debtors prepay the loans earlier than scheduled.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as

exchange rate risk.

- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e., interest rate). This primarily relates to fixed income securities.
- **Business Risk:** This risk is associated with a particular industry or a particular company within an industry.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.

Risk Factors relevant to specific securities utilized include:

- **Equity Securities:** The value of the equity securities is subject to market risk, including changes in economic conditions, growth rates, profits, interest rates and the market's perception of these securities. While offering greater potential for long-term growth, equity securities are more volatile and riskier than some other forms of investment.
- **Exchange Traded Funds ("ETF"):** ETFs are a recently developed type of investment security, representing an interest in a passively managed portfolio of securities selected to replicate a securities index, such as the S&P 500 Index or the Dow Jones Industrial Average, or to represent exposure to a particular industry or sector. Unlike open-end mutual funds, the shares of ETFs and closed-end investment companies are not purchased and redeemed by investors directly with the fund but instead are purchased and sold through broker-dealers in transactions on a stock exchange. Because ETF and closed-end fund shares are traded on an exchange, they may trade at a discount from or a premium to the net asset value per share of the underlying portfolio of securities. In addition to bearing the risks related to investments in equity securities, investors in ETFs intended to replicate a securities index bear the risk that the ETF's performance may not correctly replicate the performance of the index. Investors in ETFs, closed-end funds and other investment companies bear a proportionate share of the expenses of those funds, including management fees, custodial and accounting costs, and other expenses. Trading in ETF and closed-end fund shares also entails payment of brokerage commissions and other transaction costs.
- **An Inverse ETF** generally seeks to deliver the opposite of the daily performance of the index or benchmark that it tracks. Inverse ETFs often are marketed as a way for investors to profit from, or at least hedge their exposure to, downward-moving markets. Some ETFs are both inverse and leveraged, meaning that they seek a return that is a multiple of the inverse performance of the underlying index. To accomplish their objectives, leveraged and inverse ETFs use a range of investment strategies, including swaps, future contracts and other derivative instruments. ETFs (including leveraged, inverse, and leveraged inverse) trade on an auction market. Therefore, there is more price fluctuation with ETFs than with mutual funds since ETFs trade throughout the day, whereas mutual funds are priced once a day. Also, since most ETFs only mirror a market index, such as the S&P 500, they won't outperform the index. A significant amount of principal could be lost in these securities rapidly and tax laws could change and affect the tax treatment of this investment.
- **Non-traditional ETFs**, including leveraged and inverse ETFs, are not suitable for most investors. Non-traditional ETFs are trading vehicles in which daily rebalancing and market volatility have a significant impact on the realized return. The effects of mathematical

compounding can grow significantly over time, leading to scenarios whereby performance over the long run can differ significantly from the performance (or inverse performance) of their underlying index or benchmark during the same period of time. Leveraged, inverse, and leveraged inverse ETFs are more volatile and riskier than traditional ETFs due to their exposure to leverage and derivatives, particularly total return swaps and futures. In addition, these instruments are typically designed to achieve their desired exposure on a daily (in a few cases, monthly) basis. Holding leveraged, inverse, and leveraged inverse ETFs for longer periods of time increases their risk due to the effects of compounding and the inherent difficulty in market timing. Non-traditional ETFs should be monitored closely due to their volatile nature and inability to track the underlying index over an extended period of time. Non-traditional ETFs are not intended to be held long term. ETFs over a period longer than one day can differ significantly from their stated performance objectives.

- **Fixed Income Securities Risk:** Prices of fixed income securities tend to move inversely with changes in interest rates. Typically, a rise in rates will adversely affect fixed income security prices. The longer the effective maturity and duration of the client's portfolio, the more the portfolio's value is likely to react to interest rates. For example, securities with longer maturities sometimes offer higher yields, but are subject to greater price shifts because of interest rate changes than debt securities with shorter maturities. Some fixed income securities give the issuer the option to call, or redeem, the securities before their maturity dates. If an issuer calls its security during a time of declining interest rates, we might have to reinvest the proceeds in an investment offering a lower yield and therefore might not benefit from any increase in value because of declining interest rates. During periods of market illiquidity or rising interest rates, prices of callable issues are subject to increased price fluctuation.
- **Municipal Bond Risk:** Municipal securities issuers may face local economic or business conditions (including bankruptcy) and litigation, legislation or other political events that could have a significant effect on the ability of the municipality to make payments on the interest or principal of its municipal bonds. In addition, because municipalities issue municipal securities to finance similar types of projects, such as education, healthcare, transportation, infrastructure and utility projects, conditions in those sectors can affect the overall municipal bond market. Furthermore, changes in the financial condition of one municipality may affect the overall municipal bond market. The municipal obligations in which clients invest will be subject to credit risk, market risk, interest rate risk, credit spread risk, selection risk, call and redemption risk and tax risk, and the occurrence of any one of these risks may materially and adversely affect the value of the client's assets or profits.
- **Mutual Fund Shares:** Some of the risks of investing in mutual fund shares include: (i) the price to invest in mutual fund shares is the fund's per share net asset value (NAV) plus any shareholder fees that the fund imposes at the time of purchase (such as sales loads), (ii) investors must pay sales charges, annual fees, and other expenses regardless of how the fund performs, and (iii) investors typically cannot ascertain the exact make-up of a fund's portfolio at any given time, nor can they directly influence which securities the fund manager buys and sells or the timing of those trades.
- **Alternative Investments**: Alternative investments are financial assets that do not fall into conventional asset categories, like stocks, bonds and cash. Alternative assets allow investors to diversify their holdings and pursue returns less correlated with the stock market. Risks of alternative investments may include but are not limited to lack of regulation, lack of transparency, low liquidity, difficult to value, high minimum

investments, and greater risk.

- **Structured Products**: Structured products are designed to facilitate highly customized risk-return objectives. While structured products come in many different forms, they typically consist of a debt security that is structured to make interest and principal payments based upon various assets, rates or formulas. Many structured products include an embedded derivative component. Structured products may be structured in the form of a security, in which case these products may receive benefits provided under federal securities law, or they may be cast as derivatives, in which case they are offered in the over-the-counter market and are subject to no regulation. Investing in structured products includes significant risks, including valuation, lack of liquidity, price, credit and market risks. The relative lack of liquidity is due to the highly customized nature of the investment and the fact that the full extent of returns from the complex performance features is often not realized until maturity. Another risk with structured products is the credit quality of the issuer. Although the cash flows are derived from other sources, the products themselves are legally considered to be the issuing financial institution's liabilities. The vast majority of structured products are from high-investment-grade issuers only. Also, there is a lack of pricing transparency. There is no uniform standard for pricing, making it harder to compare the net-of-pricing attractiveness of alternative structured product offerings than it is, for instance, to compare the net expense ratios of different mutual funds or commissions among broker-dealers.
- **Options**: Options are contracts to purchase a security at a given price, risking that an option may expire out of the money resulting in minimal or no value. An uncovered option is a type of options contract that is not backed by an offsetting position that would help mitigate risk. The risk for a "naked" or uncovered put is not unlimited, whereas the potential loss for an uncovered call option is limitless. Spread option positions entail buying and selling multiple options on the same underlying security, but with different strike prices or expiration dates, which helps limit the risk of other option trading strategies. Option transactions also involve risks including economic risk, market risk, sector risk, idiosyncratic risk, political/regulatory risk, inflation (purchasing power) risk and interest rate risk.
- **Private Placements:** Private placements carry a substantial risk as they are subject to less regulation than are publicly offered securities, the market to resell these assets under applicable securities laws may be illiquid, due to restrictions, and the liquidation may be taken at a substantial discount to the underlying value or result in the entire loss of the value of such assets.
- **Real Estate Related Securities Risk:** Investing in real estate related securities includes, among others, the following risks: possible declines in the value of real estate; risks related to general and local economic conditions, including increases in the rate of inflation; possible lack of availability of mortgage funds; overbuilding; extending vacancies of properties; increases in competition, property taxes and operating expenses; changes in zoning laws; costs resulting from cleanup of, and liability to third parties for damages resulting from environmental problems; casualty or condemnation losses; uninsured damages from floods, earth quakes or other natural disasters; limitations on and variations in rents; and changes in interest rates. Investing in Real Estate Investment Trusts ("REITs") involves certain unique risks in addition to those risks associated with investing in the real estate industry in general. REITs are dependent upon management skills, are not diversified, and are subject to heavy cash flow dependency, default by borrowers and self-liquidation.

**System Failures and Reliance on Technology Risks:** The Firm's investment strategies, operations, research, communications, risk management, and back-office systems rely on technology, including hardware, software, telecommunications, internet-based platforms, and other electronic systems. Additionally, parts of the technology used are provided by third parties and are, therefore, beyond our direct control. We seek to ensure adequate backups of hardware, software, telecommunications, internet-based platforms, and other electronic systems, when possible, but there is no guarantee that our efforts will be successful. In addition, natural disasters, power interruptions and other events may cause system failures, which will require the use of backup systems (both on- and off-site). Backup systems may not operate as well as the systems that they back up and may fail to properly operate, especially when used for an extended period. To reduce the impact a system failure may have, we continually evaluate our backup and disaster recovery systems and perform periodic checks on the backup systems' conditions and operations. Despite our monitoring, hardware, telecommunications, or other electronic systems malfunctions may be unavoidable, and result in consequences such as the inability to trade for or monitor client accounts and portfolios. If such circumstances arise, the Investment Committee will consider appropriate measures for clients.

- **Cybersecurity Risk:** A portfolio is susceptible to operational and information security risks due to the increased use of the Internet. In general, cyber incidents can result from deliberate attacks or unintentional events. Cyberattacks include, but are not limited to, infection by computer viruses or other malicious software code, gaining unauthorized access to systems, networks, or devices through "hacking" or other means for the purpose of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cybersecurity failures or breaches by third-party service providers may cause disruptions and impact on the service providers' and our business operations, potentially resulting in financial losses, the inability to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement, or other compensation costs, and/or additional compliance costs. While we have established business-continuity plans and risk management systems designed to prevent or reduce the impact of such cyberattacks, there are inherent limitations in such plans and systems due in part to the ever-changing nature of technology and cyberattack tactics.
- **Pandemic Risks:** The recent outbreak of the novel coronavirus rapidly became a pandemic and has resulted in disruptions to the economies of many nations, individual companies, and the markets in general, the impact of which cannot necessarily be foreseen at the present time. This has created closed borders, quarantines, supply chain disruptions and general anxiety, negatively impacting global markets in an unforeseeable manner. The impact of the novel coronavirus and other such future infectious diseases in certain regions or countries may be greater or less due to the nature or level of their public health response or due to other factors. Health crises caused by the recent coronavirus outbreak or future infectious diseases may exacerbate other pre-existing political, social, and economic risks in certain countries. The impact of such health crises may be quick, severe and of unknowable duration. This pandemic and other epidemics and pandemics that may arise in the future could result in continued volatility in the financial markets and could have a negative impact on investment performance.

The above list of risk factors does not purport to be a complete list or explanation of the risks involved in an investment strategy. In addition, due to the dynamic nature of investments and markets, strategies may be subject to additional and different risk factors not discussed above.

### Overall Risks

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

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

You are encouraged to consult your financial advisor, legal counsel, and tax professional on an initial and continuous basis in connection with selecting and engaging in the services we provide. In addition, due to the dynamic nature of investments and markets, strategies may be subject to additional and different risk factors not discussed above.

While this information provides a synopsis of the events that may affect a client's investments, this listing is not exhaustive. Clients should understand that there are inherent risks associated with investing and depending on the risk occurrence; clients may suffer loss of all or part of the client's principal investment. Although Potentia's methods of analysis and investment strategies do not present any significant or unusual risks, all investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investing in securities involves risk of loss that clients should be prepared to bear.

## C. RECOMMENDATION OF SPECIFIC TYPES OF SECURITIES

Potentia may advise on all types of investments, as each client has different needs and different tolerance for risk. However, generally, we recommend equity securities and pooled investment vehicles. 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.

## ITEM 9: DISCIPLINARY INFORMATION

Registered investment advisers are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our investment management business or the integrity of our management. Neither Potentia nor any of its management persons have been involved in legal or disciplinary events that are related to past or present investment clients.

## ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

In the interest of promoting fair, equitable, and ethical principles as a registered investment advisor, we are required to disclose when Potentia, our representatives or any of our employees, may have any material conflicts of interests which may impair the rendering of unbiased and objective advice. Any known and potential material conflicts of interest that may impair the client investment management relationship are reasonably disclosed in this Brochure. Should you have any additional questions or concerns, please contact Kevin Swanson, Chief Compliance Officer by phone at (408) 288-7886.

## A. FINANCIAL INDUSTRY ACTIVITIES

**LPL**

In some instances, the Firm's Supervised Persons are also registered with LPL Financial (CRD#: 6413/SEC#: 801-10970, 8-17668) as FINRA broker-dealer registered representatives. A conflict of interest exists to the extent that Supervised Persons of Potentia, in their individual capacities as registered representatives of LPL, recommend Clients utilize the brokerage services of LPL where Supervised Persons receive commissions, concessions, sales charges and/or other transaction fees for brokerage and/or insurance services provided. Potentia is a separate entity and is not affiliated with LPL. Clients are in no way required to purchase any product or service through any Supervised Person of Potentia in their outside capacities as an LPL registered representative. Clients can obtain additional copies of Potentia's Privacy Notice or a copy of LPL's Privacy Notice from their IAR or by calling LPL at (650) 571-1934.

**OTHER INSURANCE BROKERAGE SERVICES**

Some of Potentia's Supervised Persons can provide insurance products as insurance agents through many insurance companies and agencies unaffiliated with Potentia. A conflict of interest exists to the extent that the Supervised Persons receive commissions and other remuneration for their insurance activities. Clients are in no way required to purchase any product or service through any Supervised Person of Potentia in their outside capacities as an insurance agent.

**POTENTIA TAX**

Potentia is related through common ownership and control to Enabled Nation, Inc., DBA name "Potentia Tax." Though not owned by Potentia, Potentia Tax is a separate entity owned by the principal owner of Potentia and is under common control. This entity prepares and files federal income tax returns, and applicable tax returns for the state and local taxing authorities in which individuals declare residency. Owner Kevin Swanson acts in a separate capacity for this entity. Because of the affiliated nature, referral to Potentia Tax presents a conflict of interest as both firms have an economic incentive to refer clients to each other as opposed to other tax providers.

Use of Potentia Tax requires separate engagement with this company. It's important that you know that when we recommend the services of Potentia Tax, you are never obligated or required to use their services. However, these services are included in the subscription financial plan services and Potentia Tax will charge their hourly fees to Potentia RIA and not the client. There are other tax preparation firms that offer similar services to Potentia Tax, and those services may be available for less expensive rates. Whenever we recommend Potentia Tax, we encourage you to consider other tax preparers as well.

**OTHER THIRD PARTIES**

Potentia and its Supervised Persons also receive compensation from third parties in connection with advisory services provided to clients. From time to time, custodians, mutual fund companies or the managers of mutual funds sponsor pay for client luncheons, or other events, that the Firm hosts. These arrangements may give rise to conflicts of interest, or perceived conflicts of interest in that the Firm has an incentive to invest client assets in mutual funds companies that provide such benefits to the Firm. The Firm's commitment to its clients and the policies and procedures it has adopted that require the review of such arrangements by the CCO are designed to limit any interference with the Firm's independent decision making when choosing the best mutual funds, or other investments, for our clients.

The above affiliations and conflicts may be considered material. However, as part of our duty to you, we always attempt to put your interest first and we have implemented a Compliance Program, which includes the periodic monitoring of client accounts to their stated investment objectives.

### B. FINANCIAL INDUSTRY AFFILIATIONS

Potentia is not a registered Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor and does not have an application pending to register as such. Furthermore, Potentia's management and supervised persons are not registered as and do not have an application pending to register as an associated person of the foregoing entities.

### C. OTHER MATERIAL RELATIONSHIPS

Potentia does not have any material arrangements, which are not already disclosed in this Brochure, that are material to its advisory clients.

### D. OTHER INVESTMENT ADVISORS

Potentia does not have any material arrangements with other investment advisors that are material to its advisory clients.

## ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

### A. DESCRIPTION OF CODE OF ETHICS

All employees of Potentia must act in an ethical and professional manner. In view of the foregoing and applicable provisions of relevant law, Potentia has adopted a Code of Ethics in its Employee Policies and Procedures Manual to specify and prohibit certain types of transactions deemed to create conflicts of interest (or the potential for or the appearance of such conflicts), and to establish reporting requirements and enforcement procedures relating to personal trading by Potentia personnel. Potentia Code of Ethics is in its Employee Policies and Procedures Manual, which specifically deals with professional standards, insider trading, personal trading, gifts and entertainment, and fiduciary duties, establishes ideals for ethical conduct based upon fundamental principles of openness, integrity, honesty, and trust. We will provide a copy of our Code of Ethics to any client or prospective client upon request.

## B. PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS

Potentia does not recommend or effect transactions in securities in which any related person may have material financial interest.

## C. PROPRIETARY/SIMULTANEOUS TRADING

At times, Potentia or its affiliated persons may buy or sell securities for its own accounts that it has also recommended to clients. However, any purchase or sale of a security by Potentia or a related person will be subject to Potentia's fiduciary duty to client accounts. From time to time, representatives of Potentia may buy or sell securities for themselves at or around the same time as Potentia's client accounts. In any instance where similar securities are bought or sold, Potentia will uphold its fiduciary duty by always transacting on behalf of the client before transacting for its own benefit. Potentia will always document any transactions that could be construed as conflicts of interest. To mitigate or remedy any conflicts of interest or perceived conflicts of interest, Potentia will monitor its personal trading reports for adherence to its Code of Ethics.

# ITEM 12: BROKERAGE PRACTICES

## A. SELECTION AND RECOMMENDATION

Potentia seeks to recommend a custodian/broker who will hold client assets and execute transactions on terms that, overall, are most advantageous when compared to other available providers and their services.

Potentia considers a wide range of factors in selecting a custodian/broker including, among others, the following:

- ✓ Timeliness of execution
- ✓ Clearance and settlement capabilities
- ✓ Ability to place trades in difficult market environments
- ✓ Timeliness and accuracy of trade confirmations
- ✓ Quality of account statements
- ✓ Research, execution facilitation, record keeping, custody and other "value-added" services provided
- ✓ Frequency and correction of trading errors
- ✓ Financial condition and willingness to commit capital
- ✓ Business reputation and integrity
- ✓ Potentia's prior experience with the custodian/broker

To this end Potentia has selected LPL as its preferred custodians to provide brokerage and custodian services. Potentia is independently owned and operated and is not affiliated with LPL.

LPL will hold client assets in a brokerage account and buy and sell securities only when Potentia or the client instructs them to.

Custodian recommendations are based on the client's account size, investment objectives, trading frequency and overall portfolio strategy.

## B. RESEARCH AND OTHER SOFT DOLLAR BENEFITS

Potentia does not currently have any formal “soft dollars” arrangements in place. Hower, we do receive certain services and products, such as fundamental research reports, technical and portfolio analyses, pricing services, economic forecasting and general market information, historical data base information and computer software that assist in our investment management process, from our custodian. Nonetheless, when selecting a particular broker for execution of your transactions, we will seek to obtain most favorable terms under the circumstances by considering such factors as: price, execution capability, reliability, responsiveness, financial responsibility, and the value of any products or services provided by such brokers. Our clients do not pay more for investment transactions effected and/or assets maintained at a particular custodian. There is no corresponding commitment made by Potentia to our custodians or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities, or other investment products. Specifically, we do not have any formal soft dollar arrangements with our custodians or any particular broker for execution of your transactions. In evaluating whether to recommend or require that clients’ custody their assets at a particular custodian, we take into account the availability of the foregoing products and services and other arrangements as part of the total mix of factors it considers and not solely the nature, cost or quality of custody and brokerage services provided by the custodian. Clients should be aware that the receipt of such economic benefits by us or its related persons in and of itself creates a conflict of interest and may indirectly influence our choice of a particular custodian for custody and brokerage services. To address these conflicts of interest, we have developed and implemented a Compliance Program, which includes a review of the services and execution quality we receive from the custodians we recommend.

## C. BROKERAGE FOR CLIENT REFERRALS

Potentia does not receive client referrals from third parties for recommending the use of specific broker-dealer brokerage services.

## D. DIRECTED BROKERAGE

Potentia will require clients to open an account with LPL. This arrangement is designed to maximize efficiency and to be cost effective for Potentia’s clients. By requiring clients to use this custodian, which Potentia has approved, Potentia seeks to achieve “best execution” of client transactions.

Potentia does not permit clients to direct the use of a particular brokerage firm. Not all advisors restrict clients’ ability to direct brokerage.

## E. ORDER AGGREGATION

Potentia may, at times, aggregate sale and purchase orders of securities (“block trading”) for advisory accounts with similar orders to obtain the best pricing averages and minimize trading costs. This practice is reasonably likely to result in administrative convenience or an overall economic benefit to the client. Clients also benefit relatively from better purchase or sale execution prices, lower commission expenses or beneficial timing of transactions or a combination of these and other factors. Aggregate orders will be allocated to client accounts in a systematic non-preferential manner. Potentia may aggregate or "bunch" transactions for a client's account with those of other clients to obtain the best execution under the circumstances.

### F. TRADE ERROR POLICY

Potentia maintains a record of any trading errors that occur in connection with investment activities of its clients. In accordance with SEC recommendations, the Firm will bear any losses due to trading errors. Gains generated as a result of a trade error will either: (i) follow the custodian's policy; (ii) be credited to the client's account; or (iii) be donated to charity. The Firm does not retain any gains associated with trade errors.

## ITEM 13: REVIEW OF ACCOUNTS

### A. PERIODIC REVIEWS

Potentia will conduct a review of client accounts and/or financial plans to monitor various items, such as asset allocations. The reviews also consist of determining whether a client's investment goals and objectives are aligned with Potentia's investment strategies. Potentia will conduct the reviews annually unless a shorter period of time is requested by the client or as circumstances necessitate. The reviews are overseen by Kevin Swanson, Chief Compliance Officer of Potentia.

### B. INTERMITTENT REVIEW FACTORS

Intermittent reviews may be triggered by substantial market fluctuation, economic or political events, or changes in the client's financial status (such as retirement, termination of employment, relocation, inheritance, etc.). Clients are advised to notify Potentia promptly if there are any material changes in their financial situation, investment objectives, or in the event they wish to place restrictions on their account.

### C. REPORTS

Clients may receive confirmations of purchases and sales in their accounts and will receive, at least quarterly, statements containing account information such as account value, transactions, and other relevant information. Confirmations and statements are prepared and delivered by the client's custodian, LPL.

## ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

### A. ECONOMIC BENEFITS FROM OTHERS

Potentia does not receive an economic benefit (such as sales awards or other prizes) from any third party for providing investment advice or other advisory services to its clients. However, as described in Item 12, Potentia does receive economic or other benefits from LPL and other third parties.

## B. COMPENSATION TO UNAFFILIATED THIRD PARTIES

Potentia does not compensate, directly or indirectly, any person who is not a supervised person for client referrals.

# ITEM 15: CUSTODY

## A. CUSTODIAN OF ASSETS

Custody means holding, directly or indirectly, client funds or securities, or having any authority to obtain possession of them. “Qualified custodians” include types of financial institutions such as banks, broker-dealers, futures commission merchant or any other entity that maintains client securities and funds that clients and advisers use for custodial services.

Potentia is deemed to have custody due to its authority to deduct investment management fees from client accounts and through its ability to make third party transfers on behalf of clients when authorized through a standing letter of authorization (“SLOA”). However, Potentia will not maintain physical possession of client funds and securities and is not acting as a qualified custodian. Rather, the client’s funds and securities are held by a qualified custodian in accounts that are registered in the client’s name. Please see Item 12 for additional information on our preferred, qualified custodians.

Payment of fees may be paid by the custodian from the custodial account that holds client funds pursuant to the client’s account application. Prior to permitting the direct debit of fees, each client provides written authorization permitting fees to be paid directly from the custodian. Likewise, Potentia will require clients to provide authorization prior to transferring funds from client accounts. Potentia will provide the Client with a quarterly report itemizing the fee, including the calculation period covered by the fee, the account value and the methodology used to calculate the fee. Clients will receive independent statements from the Client’s custodian, at least quarterly, showing all disbursements for the Account(s), including the amount of the investment management fee.

Clients are encouraged to raise any questions with us about the custody, safety, or security of their assets and our custodial recommendations.

## B. ACCOUNT STATEMENTS

Although Potentia is the client’s adviser, the client’s statements will be mailed or made available electronically by the broker-dealer or custodian. When the client receives these statements, they should be reviewed carefully. Clients should compare asset values, holdings, and fees on the statement to that in the account statement issued in the previous period.

# ITEM 16: INVESTMENT DISCRETION

It is Potentia’s customary procedure to provide investment advisory services on a discretionary basis. Prior to the Firm assuming discretionary authority over a client’s account, the client shall be required to execute an Investment Advisory Agreement naming the Firm as the client's attorney and agent in fact, granting the Firm full authority to determine, without obtaining specific client consent, securities to be bought or sold, or the amount of securities to be bought or sold under Direct Asset Management Services.

Clients can, at any time, impose investment restrictions in writing on the Firm's discretionary authority (i.e., limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe the use of margin in the account, etc.) Overall, the ability to have discretion over an account allows an advisor to periodically change the allocation of the client's account to maintain a balance between the client's portfolio and their risk tolerance as part of a strategic plan or implement changes due to markets and due diligence information as part of a tactical plan for the client.

## ITEM 17: VOTING CLIENT SECURITIES

Potentia will not vote proxies which are solicited for securities held in client accounts. Potentia will not be required to render any advice with respect to the voting of proxies solicited by or with respect to the issuers of securities in which assets of the client's account may be invested occasionally. Furthermore, Potentia will not take any action or render any advice with respect to any securities held in any client's accounts that are named in or subject to class action lawsuits. Potentia will, however, forward to the client any information received by Potentia regarding class action legal matters involving any security held in the client's account.

In addition, as a general policy, we do not elect to participate in class action lawsuits on behalf of a client. Rather, such decisions shall remain with the client or with the entity the client designates. We may assist in determining whether they should pursue a particular class action lawsuit by assisting with the development of an applicable cost-benefit analysis, for example. However, the final determination of whether to participate, and the completion and tracking of any such related documentation, shall rest with the client.

## ITEM 18: FINANCIAL INFORMATION

### A. BALANCE SHEET REQUIREMENT

Potentia is not a qualified custodian for client funds or securities. Potentia neither requires nor solicits prepayment of more than $1,200 in fees per client, six (6) months or more in advance and, therefore is not subject to the regulatory balance sheet requirement with this brochure.

### B. FINANCIAL CONDITION

Potentia does not have any financial impairment that would preclude the Firm from meeting contractual commitments to clients.

### C. BANKRUPTCY PETITION

Potentia has not been the subject of a bankruptcy petition at any time during the last 10 years.

## PRIVACY POLICY

An important part of the relationship we have with our clients is the information they share with us. We want each client to know how we treat their private information. We keep personal information such as Social Security Numbers and account balances confidential. We take steps to safeguard this data from anyone who should not have access to it. We do not sell this information to anyone.

In dealing with Potentia, clients can expect that we will take the steps outlined below to keep all their information confidential and secure.

## OUR PRIVACY POLICY

In providing financial services and products ("Service") to our clients, we collect certain non-public information about them. Our policy is to keep this information confidential and strictly safeguarded, and to use or disclose it only as needed to provide services to our clients, or as permitted by law. Protecting your privacy is important to us.

## INFORMATION WE COLLECT

The non-public personal information we have about clients includes the information they give us when opening an account or communicating with us. This could include:

- Name and address
- Social Security Number
- Investment objectives and experience
- Financial circumstances
- Employment history
- Account balances and transactions

## HOW WE SHARE YOUR PERSONAL INFORMATION

We do not sell personal client information to anyone.

**Affiliates**. We may share personal information about you with our affiliated companies for everyday business purposes, however, our affiliated companies are not permitted to use this information to market their products or services to you.

We do not disclose personal information about our clients to non-affiliated third parties, without expressed written consent. We may disclose anonymous information that cannot be linked to an individual client on occasion, but only to companies that we hire to help us provide products and services to our clients, or as required by law, or as authorized by the client personally, or as otherwise described in this Privacy Policy.

**Service Providers.** Companies and individuals that provide services on our behalf or help us operate our services and business (such as IT, hosting, investment trading, customer relationship management and support, print and mail fulfillment, data management, email delivery, etc.).

**Service-Related Third Parties**. Brokers, custodians, administrators, transfer agents, investment funds and their respective managers and other non-affiliated third parties as necessary to provide our services to you.

## HOW INFORMATION IS USED

We use your personal information for the following purposes:

**Service Delivery**. We use your personal information to provide, operate, and improve the Service; execute your transactions; provide support for the service; and respond to your inquiries, questions and feedback.

**Compliance and Operations**. We may use your personal information to: comply with applicable laws, lawful requests, and legal processes, such as to respond to subpoenas or requests from government authorities; protect our, your or others' rights, privacy, safety or property (including by making and defending legal claims); audit our internal processes for compliance with legal and contractual requirements and internal policies; and prevent, identify, investigate and deter fraudulent, harmful, unauthorized, unethical or illegal activity, including cyberattacks and identity theft.

## HOW INFORMATION IS SAFEGUARDED

We have procedures in place that we believe are reasonably designed to protect the security and confidentiality of client information. These include confidentiality agreements with companies we hire to help us provide services to clients, password-protected user access to our computer files, and strict confidentiality policies that apply to all Potentia personnel, vendors and contractors.

## YOUR DATA CHOICES

You have the following choices with respect to your personal information:

**Decline to provide information.** We need to collect personal information to provide certain services. If you do not provide the information requested, we may not be able to provide those services.

**How to contact us.** You can reach us in the following ways:

- Mail: 1226 Lincoln Ave. #200, San Jose, CA 95125
- Email: ask@potentiawealth.com
- Phone: (408) 288-7886