

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

### **Buttonwood Financial Advisors, Inc.**

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03/21/2024

This brochure provides information about the qualifications and business practices of Buttonwood Financial Advisors, Inc. ("BFA"). If you have any questions about the contents of this brochure, please contact us at (410) 988- 2391 or [info@buttonwoodfa.com](mailto:info@buttonwoodfa.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 as an investment adviser does not imply a certain level of skill or training.

Additional information about BFA is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 144926.

## **Item 2. Material Changes**

The information contained in this section relates only to material changes that have occurred since the last annual update of our ADV, Part 2 dated January 09, 2023. We define a material change as any change that an average client would consider important to know prior to making an investment decision.

- No material changes. Although, we have heavily edited this brochure for ease of reading.

Consistent with our firm's obligations, we will ensure that you receive a summary of any material changes to this and subsequent brochures within 120 days of the close of our business' fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

To obtain our Client Relationship Summary or Firm Brochure, please visit our website at [www.buttonwoodfa.com](http://www.buttonwoodfa.com). You may also request these items as well as Brochure supplements regarding each of our financial advisors, Privacy Policy, or our Code of Ethics via e-mail to [info@buttonwood.com](mailto:info@buttonwood.com), telephone at 410-988-2391 or mail your request to the address below.

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Fax Number: 410-988-2395**

### **Item 3. Table of Contents**

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## Item 4. Advisory Business

BFA began conducting business in 2008 and is an SEC registered investment adviser with its principal place of business located in Baltimore, Maryland.

Listed below are BFA's principal shareholders, those individuals and/or entities controlling 25% or more of this company:

- Damian J. Gallina, President and Chief Compliance Officer
- Jeffrey A. Malcom, Vice President

As of 12/31/2023 we were actively managing **\$294,667,853** of clients' assets on a discretionary basis, and **\$13,401,678** on a non-discretionary basis.

### INDIVIDUAL PORTFOLIO MANAGEMENT

Our firm offers portfolio management services to its advisory clients. We will provide continuous advice to a client regarding the investment of client funds based on the client's individual needs including the client's individual objectives, tax considerations, time horizons, risk tolerance, liquidity needs, prior investment history, as well as family composition and background.

We ask clients to adopt an investment policy statement, which we provide, and manage their advisory accounts on a discretionary basis based on the client's stated objectives or adopted investment policy statement (e.g., *Balanced, Diversified, Fixed Income, Growth, Moderate, Income/Balanced, Income/Diversified, Income/Growth, and Income/Moderate*). Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

Our investment recommendations are not limited to any specific product or service offered by a broker dealer or insurance company and will generally include advice regarding individual stocks, bonds, certificates of deposit (CDs), mutual funds, and exchange-traded funds ("ETFs").

### FINANCIAL PLANNING

Financial planning is a comprehensive evaluation of a client's current and future financial state by using currently known variables to project future cash flows, asset values and withdrawal plans. Based on the information provided by the client, BFA will prepare a comprehensive detailed written plan designed to help achieve their financial goals and objectives, and which may address personal investing, tax analysis, insurance, estate,

educational, and retirement planning. Recommendations based on the plan are not limited to any specific product or service offered by a broker dealer or insurance company.

The information we gather through in-depth personal interviews includes a client's current financial status, tax status, future goals, return objectives and attitudes towards risk as well as documents supplied by the client. To implement the recommendations contained in their plan, we suggest clients work closely with their attorney, accountant insurance agent, and, at their discretion, BFA for investment management.

## **Item 5. Fees and Compensation**

### FEES FOR INDIVIDUAL PORTFOLIO MANAGEMENT

Buttonwood charges a quarterly investment advisory fee based on the net value of the assets in the account on the last business day of the prior quarter (the "Fee"). The Fee charged to the account will be in accordance with the following schedule ("Fee Schedule") unless BFA, in its sole discretion, decides to charge less than the stated fee rates ("Annual Advisory Fee Rate") in the Fee Schedule:

<u>Assets Under Management</u>	<u>Annual Advisory Fee Rate (%)</u>
The first \$1,000,000	1.25%
Amounts from \$1,000,000 to \$5,000,000	1.00%
Amounts over \$5,000,000	0.75%

For example, if a client's account is valued at \$6,000,000, the annual fee would be calculated as follows:  $(\$1,000,000 \times 1.25\%) + (\$4,000,000 \times 1.00\%) + (\$1,000,000 \times 0.75\%)$ .

Our fees are billed quarterly, in advance, at the beginning of each calendar quarter based upon the market value, or fair market value in the absence of market value, of the client's account at the end of the previous quarter. Fees may be directly paid by the client by check or may be debited directly from the client's account only with prior authorization. No fee adjustments are made for deposits or partial withdrawals during a quarterly billing period but may be prorated at account opening only when agreed upon in writing. A copy of the invoice will be sent to the client and custodian at the same time.

### FEES FOR FINANCIAL PLANNING

A fee of \$500 is due upon presentation of a completed comprehensive financial plan.

## GENERAL INFORMATION

***Advisory Fees in General:*** Similar advisory services may be available from other investment advisers for similar, higher, or lower fees.

***Negotiability of Fees:*** At our discretion, fees may be negotiated. We may also group certain related client accounts for the purposes of determining the annualized fee. Further, discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm.

***Courtesy Accounts:*** When mutually agreed, BFA may establish separate courtesy accounts to hold specific legacy holdings and will **not** manage these assets or charge our management fee.

***Termination of the Advisory Relationship:*** Investment management services may be canceled at any time, by either party, for any reason upon receipt of five days written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded. In calculating a client's reimbursement of fees, we will prorate the reimbursement according to the number of days remaining in the billing period.

Fees for Financial Planning are paid upon completion of the service and, therefore, no pro rata refund applies.

***Fund Fees:*** All fees paid to BFA for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs, which are described in each fund's prospectus and will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. Clients can invest into mutual funds and ETFs directly without our services, which are designed, among other things, to determine which mutual fund or ETFs are most appropriate to each clients' financial condition and objectives. Clients should review both the fees charged by their funds and our fees to fully understand the total amount of fees when evaluating our advisory services.

***Additional Fees and Expenses:*** In addition to our advisory fees and fund fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges, fees for duplicate statements and transaction confirmations. Please refer to Item 12 for additional information about our brokerage practices.

***Limited Prepayment of Fees:*** Under no circumstances do we require or solicit payment of fees in excess of \$500 more than six months in advance of services rendered.

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

We do not charge performance-based fees, fees based on a share of capital gains on or capital appreciation.

## **Item 7. Types of Clients**

BFA provides advisory services to individuals, trusts, estates, charitable organizations, corporations, and pension and profit sharing plans.

Our firm does not have a minimum account size or fee requirement.

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

### METHODS OF ANALYSIS

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

***Fundamental Analysis:*** We attempt to evaluate the intrinsic value of a security by considering economic and financial factors including the overall economy, industry conditions, and the financial condition and management of the company itself to determine if the company is underpriced, indicating it may merit purchasing, or overpriced, indicating it should be avoided, sold, or trimmed.

Fundamental analysis does not attempt to anticipate market movements, presenting a potential risk as the price of a security can move up or down along with the overall market regardless of the fundamental factors considered in evaluating the stock.

***Mutual fund and/or ETF analysis:*** We consider the investment approach as well as experience and track record of the manager of the mutual fund or ETF in an attempt to judge their ability to invest over time and in different economic conditions. We also review the underlying assets in a mutual fund or ETF to determine if they align with their stated investment strategy.

A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may

not be able to replicate that success in the future. In addition, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the fund holdings less suitable for the client's portfolio.

***Risks for all forms of analysis:*** Our securities analysis relies on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly available sources of information about these securities, are providing accurate and unbiased data that is not misleading.

### INVESTMENT STRATEGIES

We use the following strategies when managing client accounts, provided that they are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

***Asset Allocation:*** We attempt to maintain an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance. By diversifying among several asset types, clients' participation in sharp increases in a particular security, industry or market sector will be limited by their exposure to those assets. A risk of asset allocation is that the ratio of securities, fixed income, and cash will change over time due to relative performance of these assets and, if not corrected, may become inappropriate for the client's goals.

***Long-term purchases:*** We typically purchase securities with the idea of holding them in the client's account for a year or longer when we believe the securities to be undervalued, have fundamental merit and/or we want exposure to a particular asset class to maintain an asset allocation.

A risk in a long-term holding strategy is that we may not take advantage of short-term gains that may dissipate. Moreover, if our analysis is incorrect, a security may decline sharply in value before we make the decision to sell.

***Short-term purchases:*** While less typical, we may purchase securities with the idea of selling them within a year or less. We may do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

A short-term purchase strategy poses risks should the anticipated price swing not materialize; we are then left with the option of having a long-term investment in a security



that was designed to be a short-term purchase, or potentially taking a loss. In addition, this strategy involves more frequent trading which increases transaction-related costs and has less favorable tax treatment for short-term capital gains.

#### RISK OF LOSS

Investing in securities involves risk of loss. Securities investments are not guaranteed, and you may lose money on your investments. We ask that you help us to understand your tolerance for risk.

### **Item 9. Disciplinary Information**

Our firm and our management personnel have no reportable disciplinary events to disclose.

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

No other financial industry activities or affiliations.

### **Item 11. Code of Ethics, Participation in Client Transactions and Personal Trading**

#### CODE OF ETHICS

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws. BFA and our personnel owe a duty of loyalty, fairness and good faith to our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics, but to the general principles that guide the code. You may request a copy by email to [info@buttonwoodfa.com](mailto:info@buttonwoodfa.com), or by telephone at (410) 988-2391.

BFA's Code of Ethics includes the firm's policy prohibiting the use of material non- public information. Employees may not use such information in a personal or professional capacity.

## PERSONAL TRADING

Our firm and the individuals associated with our firm may buy or sell securities for their personal accounts that are identical to or different from those recommended to our clients. As these situations represent actual or potential conflicts of interest with our clients, we have taken the following steps to assure that (i) the personal securities transactions of our employees will not interfere with making and implementing decisions in the best interest of our advisory clients, (ii) our firm complies with its regulatory obligations, and (iii) we provide our clients with full and fair disclosure of such conflicts of interest:

1. Prohibiting the firm, its owners, and employees from:
  - a. Putting their own interest above the interest of an advisory client.
  - b. Buying or selling securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
  - c. Purchasing or selling any security prior to transactions in the same securities being implemented for an advisory account.
2. Our firm requires prior approval for any IPO or private placement investments by related persons of the firm.
3. Our firm does not participate in agency cross transactions.
4. We maintain a list of all reportable securities holdings for our firm, and anyone associated with this advisory practice that has access to advisory recommendations ("Access Person"). These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or their designee.
5. We have established procedures for the maintenance of all required books and records.
6. We require all our principals and employees to act in accordance with all applicable federal and state regulations governing registered investment advisory practices.
7. We provide each supervised person of our firm a copy of the Code of Ethics on an annual basis.
8. We have established policies requiring the reporting of Code of Ethics violations to our Chief Compliance Officer.
9. Any individual who violates any of the above restrictions may be subject to termination.

## AGGREGATION OF EMPLOYEE TRADES WITH CLIENT TRANSACTIONS

We may aggregate our employee trades with client transactions where possible and when compliant with our duty to seek best execution for our clients. Please review the disclosures in Item 12 for a more detailed understanding of the firm's trade aggregation policies and procedures.

## PRINCIPAL TRANSACTIONS

BFA and individuals associated with our firm are prohibited from engaging in transactions where BFA or a person associated with BFA, as principal, buys securities from, or sells securities to, a BFA client.

## **Item 12. Brokerage Practices**

### DIRECTED BROKERAGE

We request that clients direct us to use either National Financial Services and Fidelity Brokerage Services LLC (together with all affiliates, "Fidelity") or the Charles Schwab Corporation ("Schwab") (collectively, our "Selected Brokers") for trade execution. BFA reserves the right to decline acceptance of any client account for which the client directs the use of a broker other than Selected Brokers if we believe that this choice would hinder our fiduciary duty to the client and/or our ability to service the account. Although BFA requests all clients to direct brokerage services to Selected Brokers, not all advisors request clients to direct brokerage.

Selected Brokers charge brokerage commissions and transaction fees for effecting certain securities transactions, including transaction fees charged for certain no-load mutual funds, or commissions charged for individual equity and debt securities transactions. Selected Brokers' commission rates are generally considered discounted from customary retail commission rates, which may be higher or lower than those charged by other custodians and broker-dealers.

Selected Brokers provide BFA access to their platform services including, among others, brokerage, custodial, administrative support, record keeping and related services that are intended to support intermediaries like BFA in conducting business and in serving the best interests of our clients but that may also benefit us.

BFA has no formal or informal arrangements with Selected Brokers to provide BFA with any specific research or brokerage services other than what is otherwise made available

to the investment advisers that use their platform services, including, at no additional charge to us, certain research, and brokerage services, including research services from independent research companies.

As a result of receiving such services for no additional cost, we may have an incentive to select or recommend a broker-dealer based on our interest in receiving the research or other products or services, rather than on the clients' interest in receiving most favorable execution. We examined this potential conflict of interest when we chose the Selected Brokers and have determined that the relationship is in the best interests of BFA clients, providing them with a blend of execution services, commissions and professionalism that satisfies our client obligations, including our duty to seek best execution.

#### BEST EXECUTION

Although the commissions and/or transaction fees paid by our clients generally comply with our duty to obtain best execution, clients may pay a commission that is higher than what another qualified broker-dealer might charge to effect the same transaction when we determine, in good faith, that the commission or transaction fee is reasonable in relation to the value of the brokerage and research services we receive from Selected Brokers.

In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Best execution is also about pricing, not just fees. Accordingly, although we seek competitive rates, we may not necessarily obtain the lowest possible commission rates for client transactions. The brokerage commissions or transaction fees charged by the broker-dealer are exclusive of, and in addition to, our investment management fee. Our best execution responsibility is qualified if the securities we purchase are no-load mutual funds that are traded at net asset value as determined at the daily market close.

#### SUMMARY OF TRADE AGGREGATION POLICY

BFA will aggregate client trades where possible and when the firm believes it will be advantageous to clients. This does not imply that all client trades executed will participate in the aggregate trade and certain trades may be executed separately depending on the client's circumstance and BFA's judgement. This aggregation of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts. Aggregate trading may allow us to execute equity trades in a more timely, equitable manner, at an average share price. BFA will typically aggregate trades among clients

whose accounts can be traded at a given broker. BFA's aggregate trading policy and procedures follow:

1. Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement with BFA, or our firm's order allocation policy.
2. BFA's portfolio manager must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.
3. The portfolio manager must reasonably believe that the order aggregation will benefit, and will enable BFA to seek best execution for, each client participating in the aggregated order. Best execution includes the duty to seek the best quality of execution, as well as the best net price. This requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in hindsight.
4. Prior to entry of an aggregated order, a written order ticket must be completed which identifies each client account participating in the order and the proposed allocation of the order.
5. If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated pro rata among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. However, adjustments to this pro rata allocation may be made to participating client accounts in accordance with the initial order ticket or other written statement of allocation, for example, to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts.
6. Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order and pay transaction costs per the individual client's agreement with the custodian/broker.
7. If the order will be allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change must be provided to and approved by the Chief Compliance Officer no later than the morning following the execution of the aggregate trade.

8. BFA's client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought or sold for, that account.
9. Funds and securities for aggregated orders are clearly identified on BFA's records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.
10. No client or account will be favored over another.

### **Item 13. Review of Accounts**

#### INDIVIDUAL PORTFOLIO MANAGEMENT

**Reviews:** The underlying securities within accounts are continually monitored by our Portfolio Manager. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. Additional reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

**Reports:** In addition to the monthly statements and confirmations of transactions that clients receive from their broker-dealer, we provide reports periodically summarizing account performance and balances.

#### FINANCIAL PLANNING

**Reviews:** While reviews may occur at different stages depending on the nature and terms of the specific engagement, typically no formal reviews will be conducted unless otherwise contracted for with the client.

**Reports:** Financial Planning clients will receive a completed financial plan. Additional reports will not typically be provided unless otherwise contracted for with the client.

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

**Making Referrals:** Associated persons of our firm are not entitled to compensation for referring clients to insurance agents, attorneys, realtors, mortgage brokers, or other similar professionals.

***Receiving Referrals:*** In compliance with the SEC Promoter rules and regulations, compensation may be paid by BFA for referrals when the fee for referrals is properly disclosed to any potential clients of BFA in accordance with the Promoter Agreement between BFA and a Promoter.

## **Item 15. Custody**

As disclosed in the Fees and Compensation section (Item 5) of this brochure, our firm directly debits advisory fees from client accounts. As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period, including the fees we charge. Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation and contact us directly if they believe that there may be an error in their statement or fee calculation.

## **Item 16. Investment Discretion**

Clients give us discretionary authority when they sign a discretionary advisory agreement with our firm, which grants us authority to place trades in a client's account without obtaining specific client permission prior to each trade. Our discretionary authority includes the ability to determine the security and amount to buy or sell.

Clients may limit this authority by giving us written instructions and change/amend such limitations by once again providing us with written instructions.

## **Item 17. Voting Client Securities**

We do not act or give advice with respect to voting proxies. Clients maintain exclusive responsibility for: (i) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (ii) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other events pertaining to the client's investment assets. Clients shall instruct each custodian to forward to themselves copies of all proxies and shareholder communications relating to their investment assets.

## **Item 18. Financial Information**

Because we do not require or solicit payment of fees in excess of \$500 per client more than six months in advance, we are not required to include a financial statement.

As an advisory firm that maintains discretionary authority for client accounts, we are required to disclose any financial condition that is reasonable likely to impair our ability to meet our contractual obligations. BFA has no additional financial circumstances to report and has never been the subject of a bankruptcy petition.