

Item 1—Cover Page

Padden Financial Planning LLC
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March 6, 2023

This Brochure provides information about the qualifications and business practices of Padden Financial Planning LLC. If you have any questions about the contents of this Brochure, you may telephone (773) 718-3218, or email sheila@paddenfinancial.com to obtain answers and additional information. Padden Financial Planning LLC is a registered investment adviser with the State of Illinois. Registration of an investment adviser does not imply any level of skill or training. 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.

Additional information about Padden Financial Planning LLC is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2—Material Changes

This Item will be used to provide our clients with a summary of new and/or updated information. We will inform you of the revision(s) based on the nature of the updated information.

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

Since the date of our last annual update of February 18, 2022, there have been no material changes.

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Item 4—Advisory Business

Padden Financial Planning LLC (PFP), established in 2012, is wholly owned by its principal advisor, Sheila P. Padden.

PFP provides fee-only holistic financial planning and tax planning services for individuals and families. Services include portfolio analysis, asset allocation, specific investment recommendations, income tax planning, personal income tax preparation, identification and measurement of goals and progress, risk management, education funding, retirement planning, estate planning, personal recordkeeping, cash flow and budgeting, and consultation on other financial events and decisions that have a significant impact on clients' financial well-being.

As part of the financial planning process, PFP offers advice to clients on the purchase and sale of investments. Typical investments on which clients seek and obtain advice include mutual funds, exchange-traded funds, common stocks issued by domestic and foreign companies, bonds issued by domestic companies, U.S. government securities, state and municipal securities, variable life insurance and annuity policies, and option contracts on publicly traded securities. PFP does not typically give advice on futures contracts. The specific advice rendered to clients is based on clients' investment goals, investing timeline, financial circumstances, age, risk profile, and potential liquidity needs.

PFP offers three separate types of engagements with different levels of service to suit client needs.

Open Retainer. PFP's Open Retainer engagement includes all of the above-mentioned tax and financial planning services. Client meetings are scheduled regularly throughout the year to address specific areas of the client's financial plan, with a generally more intensive schedule in the first year of the engagement. In addition to scheduled meetings, Open Retainer clients may arrange for consultation on financial matters at other times by telephone, internet meeting, or special appointment, at no added charge.

Project Retainer. PFP's Project Retainer engagement includes a restricted, mutually agreed-upon scope of services selected by the client. This engagement is limited in duration, typically lasting four to six weeks, however some may be longer, and does not provide the client with a complete financial plan. Follow-up consultation and advice is provided only during the term of the engagement. The purpose of the Project Retainer engagement is to address financial areas of particular concern to the client, where comprehensive tax and financial planning is not desired or cost-effective.

Hourly. PFP also accepts Hourly engagements on a case by case basis. These engagements include a restricted, mutually agreed-upon scope of services selected by the client.

PFP typically offers specific investment recommendations only to clients under the Open Retainer and on an occasional basis to project retainer clients.

PFP does not accept discretionary investment authority from any client. PFP obtains a client's prior approval of each specific transaction prior to executing investment recommendations, as well as for the selection and retention of sub-advisors to the account. PFP will only execute transactions for clients when specifically requested and authorized to do so by the client in writing.

Clients are under no obligation to follow the advice and recommendations of PFP, and the decision whether to invest in any particular security or type of security is made by each client. Clients are not required to hold assets with a particular custodian or to give PFP limited power of attorney for trading, though clients may choose to do so at their own discretion.

PFP does not sell insurance or investment products, and does not accept commissions as a result of any product recommendations. PFP does not pay referral or finder's fees, nor does it accept such fees from other firms.

PFP does not participate in a wrap fee program.

As of the date of this Brochure, PFP advises Retainer Clients on an ongoing basis with respect to approximately \$134,490,962 in marketable assets, including cash, securities portfolios, retirement accounts, and real estate equity. However, these clients' assets are not "regulatory assets under management" as defined by the SEC. The SEC generally includes within this definition only those assets as to which an advisor performs continuous and regular supervisory or management services. Advice and counsel provided on an intermittent or periodic basis, on a specific date, in response to a market event, or at a client's request does not fall within this definition.

Item 5—Fees and Compensation

PFP is a fee-only firm and is compensated solely by professional fees received directly from clients. Neither PFP nor any related person receives compensation that is contingent on the commissions, referral fees, service fees or other form of compensation from any third party, nor does PFP or any related person compensate anyone else directly or indirectly for client referrals.

The specific fee arrangement for each client is established in the client's written agreement with PFP. PFP bills clients directly and accepts payment directly from clients; if a client agrees, PFP deducts its fees from client accounts. Fees are determined as follows:

Open Retainer. The fee for the Open Retainer engagement is a flat annual amount established at the outset of the engagement. The annual amount may be recalculated when the engagement is renewed, typically annually. The fee is based on the client's income, marketable assets, and the complexity of his or her financial and tax situation. The first year Open Retainer fee ranges from \$5,000 to \$50,000. Renewal year fees range from \$4,000 to \$50,000 per year. Prior clients of PFP may be grandfathered in with an engagement with PFP with lower fees. PFP will rely on a fee calculator provided by The

Alliance of Comprehensive Planners (ACP) of which PFP is a member, for the purpose of estimating the amount of time it will take to properly advise clients under this type of agreement. The calculation uses client income and assets to estimate the amount of time advisors should reasonably anticipate spending advising clients. More information about The Alliance of Comprehensive Planners (ACP) is available in Item 10 of this Brochure.

Clients are billed quarterly in advance, with the first quarterly payment due on execution of the engagement agreement. Fees may be deducted from the client's account provided each of them has signed the proper authorization form with the custodian. PFP will not send invoices; however, a client will receive quarterly statements from the client's custodian which reflects the debit of the fee from the client's account.

The Open Retainer Agreement will automatically renew upon the anniversary of the initial (or prior) Open Retainer Agreement. Either the client or PFP may terminate the engagement without cause at any time by written notice. The client may obtain a full refund by providing written notice of termination within five days of signing a retainer agreement. In the event of later termination, prepaid but unearned client fees will be promptly refunded on a pro-rata basis based on the number of days remaining in the quarterly billing period.

Project Retainer. The fee for the Project Retainer engagement is a flat amount established at the outset of the engagement. The fee is based on a projection of the professional service time required to provide the services selected by the client. The first quarterly payment of the fee is payable on execution of the engagement agreement, and any remaining fee is payable quarterly prior to the final scheduled appointment. Fees paid under a Project Retainer engagement are creditable toward a new Open Retainer engagement if an Open Retainer engagement is signed within six months of the conclusion of the Project Retainer services.

The Project Retainer Agreement will automatically renew upon the anniversary of the initial (or prior) Project Retainer Agreement. Either the client or PFP may terminate the engagement without cause at any time by written notice. The client may obtain a full refund by providing written notice of termination within five days of signing a retainer agreement. In the event of later termination, prepaid but unearned client fees will be promptly refunded on a pro-rata basis based on the number of days remaining in the quarterly billing period.

Hourly. The fee for Hourly engagements is \$250 per hour. PFP will estimate the number of hours required to complete the engagement and require a retainer of 50% of the estimated amount upon execution of the agreement.

The Hourly Retainer Agreement will automatically renew upon the anniversary of the initial (or prior) Hourly Retainer Agreement. Either the client or PFP may terminate the engagement without cause at any time by written notice. The client may obtain a full

refund by providing written notice of termination within five days of signing a retainer agreement. In the event of later termination, prepaid but unearned client fees will be promptly refunded on a pro-rata basis based on the number of days remaining in the quarterly billing period.

In no event will the retainer be more than \$500 taken more than six months in advance of the completion of the work.

For all three types of engagements, unless a client has received PFP's disclosure brochure at least 48 hours prior to signing the investment advisory contract, the contract may be terminated by the client within five (5) business days of signing the contract without incurring any advisory fees.

Fees are generally not negotiable. Alternative fee arrangements may be made in exceptional circumstances in the sole discretion of PFP. Lower fees for comparable services may be available from other providers.

Fees charged by PFP do not cover brokerage commissions, transaction fees, or other related expenses that may be incurred by the client in the implementation of PFP's investment advice. Clients also may incur certain other charges imposed by third parties, such as management fees, custodial fees, deferred sales charges, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on their accounts and transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in each fund's prospectus. All such expenses are borne directly by the client. PFP does not receive any portion of these payments.

Please see Item 12 for further description of the factors that PFP considers in recommending broker-dealers for client transactions.

Item 6—Performance-Based Fees and Side-By-Side Management

PFP does not charge any performance-based fees (fees based on a share of the capital gains or the capital appreciation of the assets of a client).

Item 7—Types of Clients

PFP generally provides financial planning and investment advisory services primarily to individuals and families, including trusts, estates, and retirement plans of clients and their family members. There is no minimum account size or net worth requirement to engage PFP.

Item 8—Methods of Analysis, Investment Strategies and Risk of Loss

The cornerstone of PFP's investment strategy is disciplined asset allocation. Within the context of a comprehensive financial plan, PFP believes that proper asset allocation is a primary determinant of investment performance. The strategy emphasizes the following elements:

1. Equities as a primary source of long term capital appreciation;
2. Global investments as a source of enhanced return and increased diversification; and
3. High quality fixed-income securities to dampen portfolio volatility and in appropriate cases provide for long-term cash flow.

Each client's financial situation is carefully examined and evaluated before an investment recommendation is made. The recommended asset allocation for each client is based on consideration of the client's age, financial condition, liquidity and cash flow needs, risk profile, tax attributes, and life goals.

PFP recommends primarily mutual funds, exchange traded funds, and individual fixed-income securities to achieve the targeted asset allocation. However, in the course of providing investment advice to each client, PFP may address issues related to other types of assets that the client already owns. PFP may discuss other products that may be appropriate for a client, based upon the client's goals, needs and objectives.

Specific fund investments are selected based on a number of factors, including consistency of performance relative to peer funds, consistency of performance relative to benchmark, level of risk relative to return, expenses, tax-efficiency, and considerations specific to each client. No-load, passively managed index funds are commonly, though not always, the preferred solution. Fixed-income investments are selected based on safety of principal, tax considerations and the client's future cash flow needs.

PFP gathers information from financial newspapers and periodicals, research materials prepared by others, corporate rating services, company press releases, annual reports, prospectuses, and public SEC filings.

Investing in securities of any kind involves risk of loss. All clients must be prepared to bear this risk. While PFP will use its best judgment and good faith efforts in rendering services to each client, not every investment decision or recommendation made by PFP will be profitable. PFP cannot warrant or guarantee any particular level of account performance, or that any account will be profitable over time. Clients assume all investment risk involved and must understand that investment decisions are subject to various types of risks, including market, inflation, country/political, currency, interest rate, credit, liquidity, business, and financial risks. The risks associated with investment in specific funds are disclosed in each fund's prospectus or other offering document, which clients should review carefully before investing.

PFP's investment strategy presents particular risks that other strategies may not. Although investing in index funds reduces the risk of poor security selection, it also eliminates the opportunity to substantially out-perform the underlying index. Passively managed funds within a recommended asset class may under-perform other asset classes or the market in general. Other than rebalancing periodically to maintain target asset allocation, PFP generally does not attempt to modify portfolio recommendations or to recommend defensive positions in response to particular market environments.

Item 9—Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of PFP or the integrity of PFP's management. Neither PFP nor its sole principal, Sheila P. Padden, has any information applicable to this Item.

Item 10—Other Financial Industry Activities and Affiliations

Sheila P. Padden is a member of the Alliance of Comprehensive Planners ("ACP"), a non-profit organization that promotes fee-only financial planning services and holistic planning strategies. Through ACP, PFP belongs to a national community of highly qualified, ethical advisors who provide comprehensive service and avoid material conflicts of interest with their clients. ACP provides ongoing education and practice support through the collaborative efforts of its members. ACP maintains a searchable "Find an Advisor" directory listing members and their firms on its website, www.acplanners.org.

Sheila P. Padden is a NAPFA-Registered Financial Advisor. NAPFA, The National Association of Personal Financial Advisors, is the nation's leading organization of fee-only comprehensive financial planning professionals. Members are required to meet NAPFA's high standards for professional competency, comprehensive financial planning, and fee-only compensation practices. NAPFA maintains a searchable "Find an Advisor" directory listing members and their firms on its website, www.napfa.org.

Sheila P. Padden is a member of the Financial Planning Association (FPA). FPA is a leadership and advocacy organization connecting those who provide, support and benefit from professional financial planning. Information about FPA and its members is available from the organization's website, www.fpanet.org.

Item 11—Code of Ethics

PFP seeks to avoid material conflicts of interest. Accordingly, neither PFP nor its investment adviser representatives nor its team members receive any third party direct monetary compensation (i.e., commissions, 12b-1 fees, or other fees) from brokerage firms, custodians, or mutual fund companies.

PFP believes that its business methodologies, ethics rules, and adopted policies are appropriate to eliminate, or at least minimize, potential material conflicts of interest, and to appropriately manage any material conflicts of interest that may remain. However, clients should be aware that no set of rules can possibly anticipate or relieve all potential material conflicts of interest. In any event, PFP will disclose to advisory clients any material conflict of interest relating to PFP, its representatives, or any of its employees which could reasonably be expected to impair the rendering of unbiased and objective advice.

Participation or Interest in Client Transactions and Personal Trading.

PFP may buy and/or sell securities also recommended to clients. These transactions may include broadly traded mutual funds, exchange traded funds, stocks, bonds, and similar investments where personal ownership is not likely to present a conflict of interest. These transactions will be fully disclosed to clients if at any time it appears that such investing will impact any recommendation provided to clients.

PFP and its related persons, as a matter of policy, do not recommend to clients, or buy or sell for client accounts, securities in which PFP or its related persons has a material financial interest.

Item 12—Brokerage Practices

PFP may use its discretion in recommending a broker-dealer to clients. In evaluating broker-dealers, PFP considers comparative fees, the broker-dealer's facilities, reliability and financial responsibility, services provided to the client, and reputation. PFP receives no direct or indirect compensation as a result of any client implementing a broker-dealer recommendation.

Clients are not obligated to effect transactions at any broker-dealer recommended by PFP. Clients may decline to implement any advice rendered by PFP, including the recommendation of a broker-dealer.

Item 13—Review of Accounts

Sheila P. Padden is responsible for reviewing and recommending rebalancing changes to client accounts. Such account reviews occur on an annual basis, or more frequently if needed. Circumstances for more frequent reviews include requests by a client, significant changes in a client's financial condition (as disclosed by the client), or significant changes in the financial markets or tax laws.

Sheila P. Padden, as PFP's sole member and principal advisor, is the only reviewer. Ms. Padden's formal education and business background are described in Item 19 and ADV Form 2B.

Clients receive monthly or quarterly account statements directly from their respective custodians. A more detailed portfolio review report, including a review of asset allocation and recommended rebalancing, is provided to each client at least annually by PFP. Clients are encouraged to compare these reports to the statements they receive from their respective

custodian. Sheila P. Padden reviews these reports with each client in person or by telephone. Specific written investment recommendations are made at the time of review. Clients are encouraged to call or make an appointment for additional interim guidance at any time during the year.

Item 14—Client Referrals and Other Compensation

PFP is a fee-only firm and does not sell insurance or investment products, nor does it accept commissions as a result of any product recommendation. No company or person other than the client provides any economic benefit to PFP for providing service to clients. PFP does not pay fees for client referrals, nor does it accept such fees from any other person.

Item 15—Custody

PFP does not accept custody of client assets. Accordingly, PFP shall have no liability to clients for any loss or other harm to any asset in a client account. Clients should expect to receive statements at least quarterly from each broker-dealer, bank or other qualified custodian that holds and maintains client's investment assets. PFP urges clients to review such statements carefully and compare such official custodial records to any reports and other documentation that PFP may provide. The form of PFP's reports varies considerably from statements produced by the clients' custodians, and PFP's reports are not a substitute for independent custodian statements.

Item 16—Investment Discretion

PFP's role is to make investment recommendations. PFP does not accept discretionary authority over client accounts. At the client's request, PFP may execute the purchase and/or sale of investments where authorized to do so by the client on a non-discretionary basis. Non-discretion refers to the requirement to obtain the client's express written permission and approval prior to initiating any investment transaction on the client's behalf. This specific trading authority is required in addition to a limited power of attorney granting PFP limited access to a client's account.

Item 17—Voting Client Securities

As a matter of policy and practice, PFP does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in their portfolios. PFP may provide advice to clients regarding the clients' voting of proxies.

Item 18—Financial Information

PFP is required in this Item 18 to disclose certain information about its financial condition. PFP is not subject to any financial conditions that would impair its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

Item 19—Requirements for State-Registered Advisers

Sheila P. Padden is the sole owner of Padden Financial Planning LLC, which was founded in 2012.

Educational Background and Business Experience

Sheila P. Padden, born in 1956, is the sole member and principal of Padden Financial Planning LLC, as well as its principal advisor. She earned her undergraduate degree in Accountancy from the University of Notre Dame in 1978 and is a licensed CPA in Florida and Illinois. She completed Northwestern University's CFP certification program in 2011 and obtained the CFP® certification in 2012. Sheila completed training in financial life planning and became a Registered Life Planner® (RLP®) in 2018.

Sheila P. Padden's Professional Designations and Qualifications:

CFP® Certification

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

The CFP® certification is a voluntary certification; no federal or state law or regulation requires financial planners hold CFP® certification. It is recognized in the United States and a number of other countries for its (1) high standard of professional education; (2) stringent code of conduct and standards of practice; and (3) ethical requirements that govern professional engagements with clients. Currently, more than 62,000 individuals have obtained CFP® certification in the United States.

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

- Education – Complete an advanced college-level course of study addressing the financial planning subject areas that CFP Board's studies have determined as necessary for the competent and professional delivery of financial planning services, and attain a Bachelor's Degree from a regionally accredited United States college or university (or its equivalent from a foreign university). CFP Board's financial planning subject areas include insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning and estate planning.
- Examination – Pass the comprehensive CFP® Certification Examination. The examination, administered in 10 hours over a two-day period, includes case studies and client scenarios designed to test one's ability to correctly diagnose financial planning issues and apply one's knowledge of financial planning to real world circumstances;

- Experience – Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year); and
- Ethics – Agree to be bound by CFP Board’s *Standards of Professional Conduct*, a set of documents outlining the ethical and practice standards for CFP® professionals.

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

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

CPA Certification

Certified Public Accountants are licensed in Illinois by the Department of Financial and Professional Regulation. The current CPA certification requirements include:

- A bachelor’s degree from an accredited college or university;
- 24 semester units in accounting-related subjects;
- 24 semester units in business-related subjects;
- 150 semester units (or 225 quarter units) of education;
- Passing the Uniform CPA Exam;
- One year of general accounting experience supervised by a CPA with an active license; and
- Passing an ethics course.

RLP® Certification

- The Registered Life Planner® (RLP®) RLP designation is administered by the Kinder Institute of Life Planning and denotes an adviser with advanced training in client relationship skills and holistic financial advice. RLPs learn a structured client interview

process that gives them a greater ability to discover a client's values and life goals. This allows RLPs to develop financial recommendations and strategies that better serve the client's long-term interests. Initial requirements include:

- 1. Two-day workshop: The Seven Stages of Money Maturity
- 2. Five-day workshop: Advanced EVOKE™ Training
- 3. Six-month mentorship that includes further EVOKE™ training through case studies, peer reviews and support, group conference calls led by experienced RLP mentors, and one-on-one guidance from experienced RLP mentors.

In addition, planners must adhere to Kinder Institute's code of ethics standards.

Disciplinary Information

Registered Investment Advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. There is no information to disclose applicable to this Item.

Other Business Activities

Sheila P. Padden does not receive commissions, bonuses or other compensation based on the sale of securities or other investment products and has no other business activities.

Additional Compensation

Sheila P. Padden, as the sole owner of PFP, receives all of the net business income from PFP derived from client engagements. Sheila P. Padden does not receive any additional compensation or other economic benefit from any other source for providing investment advisory services.

Supervision

Sheila P. Padden is PFP's principal, owner and sole investment advisor representative. Sheila P. Padden is solely responsible for supervision of the services and advice provided to clients and is also responsible for ensuring that PFP is adhering to the fiduciary duties owed to its clients.

Neither Ms. Padden nor PFP is compensated with performance-based fees.

Ms. Padden has not been found liable in any arbitration or civil claim awards that require disclosure. Furthermore, Ms. Padden has not been the subject of a bankruptcy petition.

Ms. Padden does not have any relationship or arrangement with any issuer of securities.

PRIVACY NOTICE (Regulation S-P)

Pursuant to Regulation S-P adopted by the Securities and Exchange Commission, it is the policy of Padden Financial Planning, LLC (“Padden Financial Planning”) to keep confidential nonpublic personal information (“*information*”) pertaining to each current and former client (i.e., *information* and records pertaining to personal background, investment objectives, financial situation, investment holdings, account numbers, account balances, etc.) unless Padden Financial Planning is (1) previously authorized by the client to disclose *information* to individuals and/or entities not affiliated with Padden Financial Planning, including, but not limited to the client’s other professional Advisors and/or service providers (i.e., attorney, accountant, insurance agent, broker-dealer, investment Advisor account custodian, etc.); (2) required to do so by judicial or regulatory process; or (3) permitted to do so in accordance with the parameters of regulation S-P. The disclosure of *information* contained in any document completed by the client for processing and/or transmittal by Padden Financial Planning in order to facilitate the commencement/ continuation/ termination of a business relationship between the client and nonaffiliated third party service provider (i.e. broker-dealer, investment adviser, account custodian, insurance company, etc.), including *information* contained in any document completed and/or executed by the client for Padden Financial Planning (i.e., Advisory agreement, client information form, etc.), shall be deemed as having been automatically authorized by the client with respect to the corresponding nonaffiliated third party service provider. Each individual and/or entity affiliated with Padden Financial Planning is aware of Padden Financial Planning’s *privacy policy* and has acknowledged his/her/its requirement to comply with same. In accordance with the Padden Financial Planning *privacy policy*, each such affiliated individual and/or entity shall have access to *information* to the extent reasonably necessary for Padden Financial Planning to perform its services for the client, and to comply with applicable regulatory procedures and requirements.

Padden Financial Planning shall notify any client, at no charge, if there has been a breach of the security of its information data system following discovery of the breach. The disclosure notification shall be made in the most expedient way possible and without delay after the breach. The notification may be done by written or electronic notice. The disclosure notification shall include but not be limited to: (i) informing the owner of the data (the client) that a breach has occurred along with the date or approximate date of the breach, (ii) informing the client of the nature of the breach, and (iii) informing the client of the steps Padden Financial Planning has taken or plans to take relating to the breach.

If you have any questions, please contact Sheila Padden at (773) 718-3218 or at sheila@paddenfinancial.com.