Form ADV Part 2A: Diogenes Financial LLC Brochure

October 5, 2024

Item 1 – Cover Page

Diogenes Financial LLC

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DIOGENES FINANCIAL

Investment Advisory Disclosures Form ADV Part 2

This Brochure provides information about the qualifications and business practices of Diogenes Financial LLC. If you have any questions about the contents of this brochure, please contact us at "advisor@diogenesfinancial.com". The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Diogenes Financial LLC. is a registered investment adviser located in Seattle, Washington. Registration of an investment adviser does not imply a certain level of skill or training. The oral and written communications of an adviser provide you with information to decide if you should choose to hire an adviser. Additional information about Diogenes Financial is available on the SEC's www.adviserinfo.sec.gov. Search for "Firm" using the IARD number 318576.

Item 2 - Material Changes

10/05/24

-Item 4" Advisory Business"- Updated "Assets Under Management"

-Item 4: "Advisory Business"- Edited: "with registration pending in Hawaii as of July 2024" to "and in 2024 in Hawai'i"

-Item 4: "Advisory Business"- Removed references to financial planning and flat fees due to complications of flat-fee service: "DF offers **virtual financial consultations with individuals and small businesses**, especially Clients interested in socially responsible investing (SRI). DF provides investment advice, financial planning, and retirement consultations for a flat fee."

-Item 4: "Advisory Business" Revised- "The term for consultations will be for 364 days" to "The term for consultations will be for 90 days"

Item 5: "Fees and Compensation" – removed "**0.4% annually** for managed accounts with greater than $500,000 in assets". This pricing will remain in place for legacy clients who have already qualified, but it created complications and "billing cliffs" with adverse incentives.

Item 5: "Fees and Compensation" – Removed "**$480 flat-rate** for financial consultation with an individual" and other specifics to flat-rate financial planning

To request a free copy of our brochure, please email "advisor@diogenesfinancial.com".

As per SEC rule 204-3(b), Diogenes Financial will ensure that Clients receive an updated brochure with a summary of material changes to this Brochure within 120 days of the fiscal year close. The Brochure will be amended **anytime** there is a material change and this section will include a summary of any material changes. A copy of this brochure can always be downloaded at the SEC website www.adviserinfo.sec.gov.

Item 3 -Table of Contents

Item 4 - Advisory Business

Diogenes Financial LLC (“DF”, Adviser, or “we”) is a Seattle-based investment advisory firm serving individuals and small businesses(“Client” or “Clients”) founded in 2022 and registered as an investment adviser in 2022 in the state of Washington and in 2024 in Hawai’i. DF is owned and managed by Kevin Reed, the Managing Member.

DF specializes in investment portfolio management services offered to individuals for an asset-based fee; please see brochure “Item 16 - Investment Discretion” for more information. DF also provides financial consulting services to Clients on an hourly basis, including consultations with small businesses, regarding retirement accounts, benefits, cash and debt management, or other requested financial analysis. DF also offers federal income tax preparation services.

Investment Portfolio Management

Management services are provided in accordance with each Client’s investment objectives, risk tolerance, and social investment criteria. We offer Income, Growth, Balanced, Hedging, and Speculation investment objectives for Clients, and are able to customize holdings to meet Client needs for each of these objectives. DF will craft a personalized portfolio based on Clients’ investment timeline, most desired market sectors, and individual companies or securities the Client may believe will outperform. DF does not offer advice or management for all types of securities and investments; only with respect to limited types of investments. DF works primarily with stocks, bonds, exchange-traded funds(ETFs), and some derivative securities such as equity options. For a small de minimus number of Clients, DF may offer advice on investments in foreign exchange.

Clients are able to restrict their accounts from investing in certain securities or certain types of securities. For example, if a Client is concerned about environmental, social, and governance(ESG) criteria, they may not wish to hold oil companies or weapons manufacturers. DF will construct a portfolio to meet their needs and restrictions.

For the purposes of Employee Retirement Income Security Act of 1974("ERISA"), DF qualifies as a fiduciary. As a fiduciary, it is DF’s responsibility to make recommendations solely in the best interests of each Client and owes the Client a fiduciary duty to put the Client’s interest first which includes, but is not limited to, a duty of care, loyalty, obedience, and utmost good faith.

Financial Consultations

Clients may receive reviews of the following desired items:

Investment Analysis

Client's current investments will be reviewed for suitability to goals, fees/efficiency, and risk tolerance. Client will receive education and comparison of current holdings with recommendations for changes and improvements. Instruction and assistance will be provided in opening up appropriate investment accounts.

Retirement

Client needs and goals for retirement are assessed. A personalized investment portfolio will be designed according to Client's risk tolerance and goals. Cash flows, returns, and expenditures will be extrapolated to model various scenarios of the future. Appropriate account types will be recommended and assistance can be provided in establishing those accounts.

Cash and debt management

Cash flow and debts will be analyzed to build an optimal long-term strategy. This includes student loans, credit card debt, mortgages, and investment options for savings. Analysis of income vs. expenses and strategies for budgeting and cutting expenses can be provided.

Employee benefits

Benefits will be reviewed to ensure a Client is maximizing the available perks from their employer. This includes retirement account contributions and strategy optimization. Self-employed individuals will receive recommendations and strategies for maximizing their own retirement account options and structures.

Tax Strategy

Considering Client financial and life situation, a plan will be established to minimize current and future tax liabilities. Appropriate accounts and strategies will be recommended.

Estate and Education planning

Considerations will be made for the best asset allocation and structure to provide current and future generations with funding for education and reducing taxes when passing on an estate.

Small Business Consultation

DF offers consultations with small businesses covering the same topics as for individuals, or other specific financial items requested by the business.

The term for consultations will be for 90 days, for which DF will be available to the Client for questions and help in building their plan. Any further reviews may be performed in another contractual engagement with the Client.

Assets Under Management(AUM)

All managed accounts are held with a qualified custodian and DF maintains only limited power of attorney. DF does not participate in a wrap fee program. As of October 5, 2024, DF managed $6,383,832 on a discretionary basis and no assets on a non-discretionary basis.

Federal Income Tax Preparation

DF offers USA federal income tax preparation services. This service is not available to Clients filing in several states(California, Maryland, New York, Oregon, Connecticut, Nevada, and Illinois). DF is not a CPA, Enrolled Agent, or Annual Filing Season Program Participant, and is not able to E-File. Clients will receive a PDF return to be printed, self-signed, and mailed.

Item 5 - Fees and Compensation

DF normally charges

- **0.5% annually** for managed portfolios, $250 minimum per year
- **$160 per hour** for hourly billable services
- **$400** for federal tax return preparation

Consultations and hourly services

Consulting fees and hourly billable services will be invoiced after services are rendered. Accepted forms of payment include bank transfers and checks.

DF must obtain the client's written consent in order to revise any material terms of the investment advisory contract.

Managed Investment Accounts

Management fees will be billed quarterly after the quarter ends. To calculate the fee, the rate stated in this Agreement will be multiplied by the custodian's valuation of the Account at market close on the last day of the quarter, and any withdrawals or deposits in that time frame will be prorated for the portion of time for which the funds were managed. If a Client opts for a Roth IRA to have commissions billed directly to the Advisor account, these commissions will be added to their quarterly management fees to be paid from a non-Roth Client account. This will avoid fees being taken from the Client's tax-free balance.

Adviser will send the Client a written invoice, including the fee, the formula used to calculate the fee, the fee calculation itself, the time period covered by the fee, and, if applicable, the amount of assets under management on which the fee was based. Also, the Adviser will include the name of the custodian(s) on your fee invoice. The Adviser will send these to the Client concurrent with the request for payment or payment of the Adviser's advisory fees. We urge the Client to compare this information with the fees listed in the account statement.

If the advisory contract is severed before the end of a quarter, the fee will be pro-rated for the amount of time service was provided. For any partial billing periods, fees will be prorated based upon the number of days the account was open during the partial billing period.

Either party may terminate the Advisory Agreement without penalty with a written request with 5 days notice of the date of termination. In the event of contract termination, no refunds will be needed, as DF bills fees after service is rendered. In the event DF has unearned fees, those fees will be refunded to the Client in full. If a Client terminates its relationship with DF before finishing the Client's written financial plan or analysis, DF will deliver completed portions of written financial plan or analysis documents prepared under the agreement with the Client. A statement will be added to shared documents disclosing that the financial analysis and plan are incomplete and should not be treated as a complete document.

Managed portfolios have no account minimum, but the minimum fee assessed per year is $250 ($62.50 billed quarterly), so accounts with balances below $50,000 will experience higher fees than the .5% rate. It is considered unreasonable to charge a financial planning fee if a management fee will also be charged on the same assets for which financial planning services were provided. Financial planning fees will be offset for related advisory services of assets being managed by DF.

Fees are automatically deducted from managed accounts via direct debit unless the Client specifies that they prefer to be invoiced and pay from other funds. Direct debits from managed accounts can be beneficial if a Client has managed pre-tax retirement accounts, as some of the fees will come from pre-tax money, thereby reducing any future amount of taxable income. If a client opts to pay from funds outside of the managed accounts, DF accepts bank transfers, and checks.

If a Client does not receive this Brochure at least 48 hours prior to entering into an investment advisory agreement, the advisory Client has a right to terminate the contract without penalty within five business days after entering into the contract.

Clients will also be responsible for brokerage fees, which may include commissions, transaction fees, and maintenance fees. There may be custodian fees, though DF prefers to select custodians that do not charge fees. See "Item 12: Brokerage Practices" for more information. Additionally, Clients may pay mutual fund or ETF expenses for some funds.

We reserve the right to reduce or waive the fees for Clients that are not able to afford services but still desire help, and the right to negotiate fees for all Client contracts.

Small Business Consultations

For consultations with small businesses regarding retirement accounts, benefits, cash and debt management, or financial analysis, DF charges an hourly rate of $160. We will provide an estimate of hours a particular item may take, and will only bill for hours worked after the service is rendered. Business Clients may pay with bank transfers or checks.

DF does not earn any compensation for recommending any specific securities to Clients. DF does not have exclusive access to any security; Clients have the option to purchase investment products that DF recommends through other brokers or agents that are not affiliated with the firm. DF and related persons do not accept compensation for the sale of securities or other investment products.

Federal Income Tax Preparation

$400 covers tax preparation of a complete annual tax return for an individual including any necessary investment schedules. Itemizing deductions and schedule C will cost extra at the hourly rate of $160.

Item 6 - Performance-Based Fees and Side-by-Side Management

DF does not charge performance-based fees because it creates conflict of interest with the Client taking on excessive risk to increase returns and fees, and conflict of interest between the amount of service provided to performance-based Clients relative to other Clients.

Item 7 - Types of Clients

DF’s current and prospective Clients are primarily individuals and individual retirement accounts, but DF also provide services to small businesses and retirement plans. DF particularly caters to Clients interested in Socially Responsible Investing(SRI) and customized individual portfolios.

Account Minimums

DF has no minimum assets required for any service, though custodian brokerages may have a Client or account minimum for managed accounts. DF does have a minimum annual fee of $250 for managed accounts, which is $62.50 billed quarterly, so low-value managed accounts may experience a noncompetitive return after fees.

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

Methods of Analysis

In determining Clients' financial plans and potential asset allocations, DF uses a variety of analyses that make assumptions based on averages, standard deviation, and other mathematical models which often rely upon historical data. Past performance does not guarantee future results. Projections of future returns can never be more than vague extrapolations of past data. Various recommended funds are not managed by DF, and no outside entity can ever have a complete vision of the direction of a fund or the market in the future.

Fundamental Analysis

DF uses fundamental analysis as a primary method of examining and rating the relative pros and cons of a particular stock or security in relation to its core strengths, valuation, competition, and future prospects. This involves using external(macroeconomic) and internal(microeconomic) evaluations and data to analyze and screen investments to try to determine a fair current valuation. Common quantitative methods taken into consideration for valuation include price/earnings ratio, price/sales ratio, return on equity, gross and net profit margin, various debt ratios, dividend yield, and dividend payout ratio. Qualitative methods used include evaluating the ability to scale the business model, general company/sector/market sentiment, insider transactions, and competitive advantages.

Risks pertaining to fundamental analysis include the inability to predict natural disasters, wars and other geopolitical risks, unexpected economic downturn in sectors or the total market, and past and present data and performance being irrelevant to future outcomes when new or unknown information is revealed.

Cyclical Analysis

DF occasionally uses cyclical analysis to estimate overall market trajectory. Cyclical analysis is based on evidence that at least some industries generally go through a repetitive business cycle of expansion, peak, retraction, and trough. By identifying which part of the cycle is occurring, an investor may be able to build a more accurate model of potential outcomes. Risks involved with cyclical analysis include the difficulty of accurately determining the timing of which part of the cycle you will experience, and for how long that period will last. Additionally, it is difficult to estimate the magnitude of a cycle and the amount that a stock or industry will change valuation in that cycle.

Technical Analysis

For timing of some investments, technical analysis may be used to determine a point of entry or exit. Technical analysis assumes some level of the efficient market hypothesis, but that an individual may be able to sometimes predict market direction based on statistical trends and repetition of these trends. The risks of technical analysis include past performance does not guarantee future results, and that a trend may have been misread or misidentified from the actual trend that is occurring. Technical analysis also does not offer insight into macroeconomic changes in the overall market.

Socially-Responsible Investing and Environmental, Social, and Governance Analysis

Additional criteria may be used to evaluate and screen companies for their Environmental, Social, and Governance(ESG) criteria for Clients who prefer socially-responsible investments. A broad range of sources from market news providers to historical documents may be used to discover exclusionary information. Board statements, guidance, historical actions, and voting recommendations will be assessed for values and consistency with those values. Risks related to SRI and ESG analysis are that social responsibility determination is far from an exact science, and such criteria may not make a material difference in the performance of an investment. DF cannot guarantee each firm is evaluated accurately according to a Client's interpretations, or that a firm's past direction will imply its future actions and values.

Investment Strategies

DF's investment strategies depend on Client goals and requirements to make the best effort for successful long-term performance. Most equity portfolios will include a variety of large and mega-cap companies and therefore have a fairly strong correlation with the S&P 500 index and a total USA or global market index. Dividend reinvestment, tax-loss harvesting, and other strategies including selling options contracts may be recommended to optimize returns. Many of the strategies employed will have tax consequences outside of qualified and non-qualified retirement accounts.

DF will build portfolios of different securities and types of securities for different sized accounts. For example, it is impractical to design a diversified portfolio of strictly individual equities for a small accounts, as share prices for many companies would be too high for the account balance. An ETF containing a balanced portfolio may provide a less concentrated account and reduce volatility. The ETF will have an expense ratio, possibly leading to lower returns than outright purchasing the same equities, depending on trading commissions.

DF may use short put or covered-call options strategies to extract premium income if an opportunity presents itself in line with a Client's goals and risk tolerance. Options strategies may require more frequent trading. Any type of frequent trading can increase brokerage and other types of transaction costs, fees, and taxes.

DF is not in the business of providing legal, accounting, or tax advice. Any suggestions on these topics are merely guidelines for potential directions that can lead a Client to their specific optimal strategy. Tax rules and regulations can have very specific requirements for each individual, which may quickly change with that individual's life circumstances, that DF may not have enough information to advise upon. Tax rules and regulations are subject to frequent change, and DF cannot guarantee that all advice is up to date or remains up to date for any period into the future. All tax considerations should be brought up with a tax professional or the Internal Revenue Service.

Risk of Loss

All investments have risk of loss, and any Client engaging in investing in any type of security must be prepared to lose money. There are many specific risk factors that can contribute to this. Some of the most common risks for DF's strategies include the following:

Market Risk. Systematic risk of the entire market taking a downturn is always a possibility. An individual company may have no internal negative issues and still fall in price significantly and rapidly due to external events like pandemics, war, extreme climate events, political instability, and other factors that are difficult to predict. Extreme volatility can appear very quickly and cause large losses.

Sector Risk. Investing in any specific sector of the market involves risk that sector may under-perform the overall market, face sector-specific issues, or negative investor sentiment. Funds investing in specific sectors like bio-tech or energy often have increased volatility and risk due to the lack of diversity in the portfolio.

Equity Risk. An investment in any equity security involves a risk that an individual firm may experience price fluctuations based on internal or external forces. Reduced earnings, bad management decisions, and changes in consumer preferences can all make a company perform worse and cause a decline in stock prices. Market segments or the entire world economy can also experience events that cause rapid rises and declines in the day-to-day stock price of a firm.

Correlation Risk. When analyzing the correlation between investments, all calculations are done using historical price movements, which may deviate from each other in the future by more than calculated in the past. This can change the volatility and risk of a portfolio.

Concentration Risk. There is a higher chance of loss if an investor has a significant percentage of their portfolio in the same company, sector, or type of asset. Diversity in a portfolio helps to lower this risk.

Management Risk. There is risk that DF does not choose a portfolio that performs as well as market indexes, or that any portfolio may experience a decline in value. No manager has a perfect track record, and consistently outperforming a market index is a rare feat.

Large Cap Risk. Large capitalization companies make up a large percentage of many portfolios. Risks associated with this include a reduced ability to adapt to change and potentially not being able to achieve the same growth and profitability rates as a smaller and more streamlined company.

Mid Cap and Small Cap Risk. Smaller capitalization firms are often still building development or growth opportunities, and may experience a greater variety of challenges in their business operations. They can therefore can lead to greater volatility, risk, and potential loss of capital. They are often lesser-known and may have a smaller amount of trading volume than larger firms, which can lead to larger bid/ask spreads and reduced liquidity.

International and Foreign Company Risk. There are additional risks present in owning equities based in foreign countries. A foreign country may have substantially different economic factors to consider compared to a domestic one, and the returns may be vastly different to domestic returns. Accounting methods may vary from typical domestic accounting, which makes objective comparison and fundamental analysis challenging. Dividends issued by a foreign corporation may have taxes automatically withheld with no course for recovery, often 30% or more.

> *Political Risk*. Political instability may threaten a foreign entity's existence or profitability. Laws can and have been passed in an investor's own country forbidding ownership of certain foreign securities, and laws can be pass in foreign countries forbidding ownership by citizens of an investor's country. In addition, risks of nationalization of assets, dictatorships, and other legal issues may arise. The rules and regulations in another country may offer fewer options in courts or through other methods to seek remuneration for damages or other investment concerns.
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> *Exchange Rate Risk.* Investments in companies based or doing business internationally are subject to exchange rate risk. Sales and operating expenses may increase or decrease substantially due to changes in the exchange rate of the foreign currency versus the US dollar. Historically, this has often been a strengthening dollar which will reduce the value of foreign sales, but the exchange rate can certainly shift in the opposite direction as well.

Liquidity Risk. At certain times, or with specific securities or investments, the spread between the bid price and the asking price may increase substantially, as there may bit few to no willing buyers or sellers. This creates a risk that you may not be able to exit a trade and exchange for cash quickly and at a reasonable valuation. Other investments may be nearly impossible to quickly sell for cash, such as a house or property.

Fixed Income Risks. While fixed income securities are often turned to as less risky investments than equities, there are risks specific to fixed income that can increase portfolio volatility and reduce returns.

> *Default Risk.* The issuer of a debt security may default and not be able to repay part or all of an interest payment or principal payment of a bond. This can result in a partial or complete loss of an investment.

Interest Rate Risk. Any time a fixed income investment is made, a change in the interest rate will affect the desirability and perceived value of the security. Typically, interest rates rising will reduce the value of a fixed income security, and interest rates falling will increase the value of a fixed income security.

Tax Risk. There is a chance that tax laws will change and assumed tax rates and rules will no longer be applicable. Since tax regulations guide investment management choices, a change in tax rules or an individual's tax status can deviate an investment's after-tax returns away from an assumed model.

Inflation Risk. Whenever the rate of inflation is positive, which is often the case historically, a Client will lose purchasing power by holding on to cash for any significant period of time. This loss of purchasing power introduces risk even to a position of 100% cash. Even in bonds, commodities, or equities, there is often a chance that an investment will not protect purchasing power against the erosive force of inflation.

ETF Risk. Exchange Traded Funds, or ETFs, are subject to market forces of fluctuation in price, and may trade at a premium or at a discount to the NAV (net asset value) of the ETF's holdings. ETFs with lower liquidity may also have significant spreads between the bid and ask, causing additional loss of value when buying or selling. The ETF managers may fail to achieve their stated investment objective, leading to a deviation from expected returns.

Cybersecurity Risk. Market exchanges, brokerages, individuals, and DF are all subject to cybersecurity risk. Governments, organizations, or individuals can and have hacked many banks and other financial firms and used the stolen data for identity theft or other nefarious purposes. Websites and other services have been subject to downtime, destruction of data, and DDOS and ransomware attacks. Individual companies have suffered significant costs and business disruptions due to cybersecurity threats which have hurt stock prices. It is not possible to completely eliminate this risk from potentially having an impact on a Client's portfolio or life in general, but DF has several technological and physical security measures in place along with other best practices to provide as much safety and privacy to Clients as possible.

Technology Risk. The infrastructure of the internet as a whole and for individual brokerages and exchanges is vital for a functioning market. During times of heavy trading and other unusual events, some exchanges or brokerages may experience downtime where it is not possible to place trades. Power and internet outages, lightning, and other factors can prevent computers and phones from being used to execute trades and other time-sensitive Client requests.

Brokerage Risk. Some brokers may restrict trading of certain securities without notice. This can potentially have devastating effects on a Client's portfolio if they wish to buy or sell during a period of volatility and cannot place an order. DF recommends brokers who have been the most reliable in personal observations to try and prevent this risk as much as possible. Certain brokerages may increase transaction fees or remove services and increase a risk of loss.

Socially Responsible Investing Risk. If a Client does not desire investing in specific companies or sectors due to socially responsible investing criteria or other exclusionary criteria, they may surpass or fall short relative to the return of market indexes. If a Client submits a shareholder proposal to a public company, they may be subject to legal challenges or difficulties based on their public statements.

Initial Public Offering Risk. IPO's can be extremely volatile, and market pricing may not reflect an accurate valuation of the firm's business. Investors in an IPO should be aware of the risk of a large or complete loss of their investment. There is also a risk when bidding on an IPO that an investor does not receive any shares.

Derivative Risk. Clients whose accounts engage in derivative transactions such as options on equities face extra risks. A large percentage of all options written expire worthless. The leverage created by derivatives can often lead to 100% losses, and if trading naked options, can lead to infinite losses, meaning an investor can lose more than the total of their account or even net worth. Short options transactions also face the risk of being called by an option holder at an inopportune moment, leading to losses, missed dividends, and confusion. Purchased options experience decay in price over time, which will lead to partial or total loss of capital if the underlying security does not move in the desired direction or the position is not managed appropriately. A short options trade may be profitable, but far under-perform the return of a buy and hold strategy.

Commodity, Futures, and Foreign Exchange Risk. Commodity, futures, and foreign exchange markets can be more complicated than equities markets, and an investor must be diligent to be sure they understand the true size of the investment. Contract sizes are generally large amounts of money, and may not be as intuitive to understand the specifics. Contracts can also become negative in price; although rare, this introduces infinite risk to even a long position. In addition to the risks of leveraged positions, commodity traders may face large costs or other issues if they happen to take delivery of a contract, at which point they will face a severe decrease in liquidity.

Item 9 - Disciplinary Information

Registered Investment Advisers are required to disclose any legal or disciplinary events that would be material in Clients evaluating the integrity of the business or leadership. DF has no complaints or legal events to report.

Item 10 - Other Financial Industry Activities and Affiliations

DF may provide federal income tax preparation for individuals. DF has no other affiliations or activities with other financial organizations. DF does not sell investment products or insurance. DF does not earn commissions on any sales, referrals, or recommendations of any securities or products.

Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

DF is a fiduciary and owes the Client a fiduciary duty to put the Client’s interest first, which includes, but is not limited to, a duty of care, loyalty, obedience, and utmost good faith. This fiduciary duty extends to all aspects of our business and Client interactions, mandating the highest degree of privacy, confidentiality, honesty, education, impartiality, and integrity as core functions of our services.

DF has a code of ethics that all employees must follow, according to SEC Rule 204A-1 and the Adviser’s Act of 1940. The code requires all personal trades to be logged and reported to DF. Each employee must comply with federal securities laws, report violations of the code of ethics, report their personal securities transactions and holdings, and obtain supervisory permission before placing trades. Each employee must annually declare that they have complied with all parts of the code of ethics. Kevin Reed will be supervising his own activities.

DF, and all related persons, do not recommend to clients, or buy or sell for client accounts, securities in which DF or a related person has a material financial interest.

DF does not restrict employees from owning the same or similar securities as Clients, which creates a conflict of interest. DF and related persons will not trade ahead of clients or engage in front-running activities. In order to attempt to mitigate the potential conflict of interest of trading ahead or front-running trades, DF and related persons must make a reasonable effort to execute Client trades in particular securities prior to executing employee/personal trades in the same security for that day, or aggregate trades together and allocate the better execution price, if any, to Clients. We also question the practice of placing a personal trade in the opposite direction of a trade for a Client’s account at a similar price level for a security, and only permit such transactions in the case of differing personal investment goals or for liquidity purposes. To avoid greater conflict of interest, DF and employees are prohibited from selling securities directly to Clients.

The code of ethics extends to all interactions with Clients and guidance of Client investments. For Clients interested in socially responsible investing, DF makes every effort to provide as ethical choices as possible for investments.

DF’s code of ethics is available to any Client or prospective Client upon request.

Item 12 - Brokerage Practices

DF evaluates brokerages at least annually based on their commission/fee schedule, execution, ease of use, customer support, availability of different types of securities, reliability, and reputation. Rating a brokerage is still a fairly subjective process, and DF cannot guarantee against any future changes at a brokerage after assessing their services. With these items in focus, certain brokerages may be more suited for different customers depending on their financial needs, understanding, convenience, or budget. DF prefers brokers with low or no commissions, no custody fee, excellent customer service, and highly functional trading platforms. DF currently recommends Interactive Brokers LLC(“IB”, “IBKR”) and Charles Schwab & Co. Inc(“Schwab”) brokerages to Clients. Clients may select a specific brokerage for their own use or as a custodian if they have a preference. IBKR offers low commissions as well as competitive interest rates on idle cash balances; the interest can often more than make up for the cost of commissions for larger accounts. IBKR also allows orders to be sent to a lit exchange, which may improve execution prices. Schwab is the largest and most commonly used brokerage for RIA firms. Schwab offers commission-free trading on many stocks and ETFs, and low rates for options transactions. Both brokers are highly rated and offer excellent trade execution and no custody fees.

DF has custody relationships with IBKR and Schwab. DF receives proprietary and/or third-party research, software, and other products as “soft dollar benefits” in exchange for the Client brokerage commissions and interest generated for the custodian by holding custody of Client accounts, which creates a conflict of interest between DF and Clients. When DF uses client brokerage commissions to obtain research or other products or services, DF receives a benefit because we do not have to produce or pay for the research, products, or services. DF 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 Clients’ interest in receiving most favorable execution. DF allows Clients to choose between IBKR or Schwab as a custodian brokerage, which can help to mitigate these conflicts of interest. If another custodian is selected, Clients would likely pay similar rates for similar services.

Not all advisers require their clients to direct brokerage. By directing brokerage, DF may be unable to achieve most favorable execution of client transactions, and this practice may cost clients more money.

By allowing Clients to direct brokerage, DF may be unable to achieve most favorable execution of client transactions. Directing brokerage may cost clients more money. For example, in a directed brokerage account, the client may pay higher brokerage commissions because DF may not be able to aggregate orders to reduce transaction costs, or the client may receive less favorable prices.

Both IBKR and Schwab provide DF with product and account services, electronic securities trading platforms, duplicate Client statements and confirmations, secure online interfaces, access to a range of research services/products/tools, consulting services, the ability to aggregate trades to individual clients, compliance assistance and/or instructions, direct debiting of advisory fees from Client accounts, and access to specific mutual funds. Discounts are provided on compliance, marketing, research, technology, and firm management products and services provided by third parties. They also provide Clients with monthly account statements, transaction confirmations, reports, and other technical support.

Research and other soft-dollar benefits from the custodian benefit all accounts managed by DF. DF does not allocate soft dollar benefits proportionally to those accounts generating the soft dollar benefits. DF does not cause Clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up).

DF aggregates purchases for accounts when possible. This usually leads to lower transaction fees, and sometimes better or worse trade execution than non-aggregated purchases. DF may forgo aggregating purchases if time, type of transaction, or logistical limitations do not accommodate aggregation. In the current low-commission trading environment, the costs of not aggregating trades should not have a significant impact on performance, especially with higher-liquidity securities favored by DF.

DF may recommend Fidelity as a brokerage to Clients who wish to manage their own investments for ease of navigation of the platform. DF may recommend E*Trade as a brokerage if Clients have solo 401(k) accounts from which they may want to take a loan, since few other providers offer loans to solo plans.

DF does not receive client referrals from a broker-dealer or custodian.

Item 13 – Review of Accounts

All accounts are reviewed not less than quarterly by the Managing Member Kevin Reed. All accounts are reviewed more frequently if prompted by large valuation movements requiring rebalancing, changes in the overall market conditions, changes to specific funds or securities, options expiration, or other significant events. Reported changes in Clients' life circumstances or financial situation often necessitate more in-depth review and re-evaluation of goals and investment objectives.

Kevin Reed is available at least twice per year to discuss each Client's account on a call if they desire.

Quarterly and/or monthly performance reports are provided for all Clients by their qualified custodian. The broker custodian provides annual reports and 1099 forms and other applicable tax documents. DF may provide additional analysis of these reports and documents if warranted or if desired by the Client. If requested by the Client, DF will provide a written, individualized annual report to the Client detailing account performance compared to benchmarks of the S&P 500 index and account goals, and future recommendations.

Item 14 – Client Referrals and other Compensation

DF currently has no agreements arranged for compensation based on referring Clients. DF does not receive any compensation for Client referrals to a third party adviser and does not pay any compensation for Client referrals to an adviser.

Item 15 – Custody

Managed Client accounts are held at a qualified custodian. The qualified custodian will provide quarterly account statements directly to the Client which detail all transactions, holdings, and the current market value of the account. Clients should carefully review these statements. DF may also provide account statements. DF urges Clients to compare the account statements they receive from the qualified custodian with those they receive from DF. DF does not have the authority to deposit or withdraw from Client accounts, with the exception of valid advisory fees per a signed advisory contract invoiced as required by law.

DF has custody of managed accounts as defined in WAC 460-24A-005(6) solely because we have the authority to directly deduct fees from Client accounts. In accordance with the relevant regulation WAC 460-24A-106, DF must have a Client's written authorization to deduct advisory fees from the account held with the qualified custodian. DF must also provide notice to the qualified custodian and an itemized invoice to the Client. Each time a fee is directly deducted from a Client's account, DF must concurrently send the qualified custodian notice of the amount of the fee to be deducted from the Client's account; and send the Client an invoice itemizing the fee. Itemization includes the formula used to calculate the fee, the fee calculation itself, the amount of assets under management the fee is based on, and the time period covered by the fee. DF must include the name of the custodian(s) on the fee invoice. These procedures make DF exempt from surprise audit rules.

Item 16 - Investment Discretion

Discretionary Management

If a Client desires DF to have investment discretion, DF will get a signed written document stating this. DF generally obtains discretionary authority from the Client in the form of a Limited Power of Attorney (LPOA) for the Client's account, giving DF the power to choose securities to buy, hold, and sell for their portfolio at DF's discretion, and to execute trades without the client's prior approval. However, such discretion is exercised within the stated investment goals, risk tolerance, timeline, and social objectives for that particular Client. DF will review at least quarterly each Client account for suitability of investments as to their objectives, and generally more frequently based on market conditions, account performance, expiring options positions, and changes in Client life or financial circumstances.

Clients can limit DF’s discretionary authority from transacting in any security or type of security they desire. Requests to restrict DF’s discretionary power must be written.

Non-discretionary Management

DF also allows Clients to retain discretion of their account while DF manages the account. This generally leads to slower transaction execution, but may not have a major impact on a long-term strategy. All transactions must be approved by the Client prior to placing a trade for non-discretionary accounts.

Discretion-related Conflicts of Interest

Managed accounts create a conflict of interest, as DF will benefit from increasing the firm’s Assets Under Management(AUM). More AUM will increase a firm’s prestige, as well as generally reducing the registration workload and expense involved with registering in multiple states. Additionally, DF stands to earn more by charging an annual management fee instead of a one-time fee for a consultation. A Client’s best interest may sometimes be served by avoiding paying management fees and simply investing in an index fund. DF discloses this to all Clients, and suggests that self-management may be their path towards a higher total return.

Since DF manages more than one account, there are conflicts over the priority of trades between different Clients of DF. DF attempts to service all accounts in a non-preferential manner, and makes every effort to distribute account attention fairly between Clients by rotating the order of trade execution. There will be differences in returns between Clients due to the inability to always place trades at the same time in the market. These differences normally do not amount to large variations in returns, but during times of extreme market volatility, a few minutes can lead to substantially different price execution for trades. DF is under no obligation or expectation to make the same trades and hold the same securities in all portfolios with similar investment goals.

Item 17 - Voting Client Securities

DF sees increasing the voting turnout for individual shareholders as a strong focal point for creating positive change in the world. DF reserves the right to vote Client securities in discretionary accounts unless the Client opts to retain their voting rights. If the Client opts to retain voting rights, they will receive proxies or solicitations directly from their custodian brokerage. Clients are encouraged to email advisor@diogenesfinancial.com and ask for help from DF in understanding the general procedure or any particular voting item or solicitation. Clients may specify voting instructions for a particular solicitation that DF will follow. If voting directions are not specified, DF will vote in the Client’s best financial interest according to SEC rule 206(4)-6, and according to the voting criteria as per the guidelines listed on www.diogenesfinancial.com.

Clients can obtain a copy of DF's proxy voting policies and procedures upon request. Clients can obtain DF's proxy voting record for their securities by submitting a written request via email to advisor@diogenesfinancial.com.

Summary of Voting Guidelines

DF will vote as a fiduciary in Clients' best financial interests within limits imposed by voting according to Clients' values. In general, this means in favor of more rights and control to shareholders and employees, less unchecked power and control for boards and officers, and less harm to all stakeholders. DF aims to vote against excessive executive compensation packages, vote against board members who do not represent the best interest of shareholders and stakeholders, and vote to support well-crafted initiatives in favor of renewable energy, environmental protection, diversity, workers' rights and board representation, equality, an independent chairman, transparency, lobbying disclosure requirements, or enhancing shareholder power.

DF will attempt to identify any event when there is a conflict of interest between the best voting for DF and the best voting for the Client's interest. DF will vote as per the Client's interest in these instances.

Item 18 - Financial Information

DF has no financial commitment impairing its ability to meet contractual and fiduciary commitments to its Clients and has never been the subject of a bankruptcy proceeding. DF does not require prepayment of fees of $500 or more per Client or six months or more in advance. Therefore, DF is not required to include a balance sheet.

Item 19 - Requirements for State Registered Advisers

DF meets all of the legal requirements for the states of Washington and Hawaii. DF exceeds the required $10,000 minimum net worth for discretion of Clients' accounts. DF has prepared a written contract to be signed by each Client prior to receiving services in accordance with WAC 460-24A-130. All DF Investment Adviser Representatives have passed the Series 65 exam.

Neither DF nor a supervised person are compensated for advisory services with performance-based fees. Neither DF nor a supervised person have a relationship or arrangement with any issuer of securities.

Form ADV Part 2B: Brochure Supplement

as of October 05, 2024

This brochure supplement provides information about Kevin Reed that supplements the Diogenes Financial LLC brochure. You should have received a copy of that brochure. Please contact Kevin Reed, Managing Member, if you did not receive Diogenes Financial's brochure or if you have any questions about the contents of this supplement. Additional information about Kevin Reed is available on the SEC's website at www.adviserinfo.sec.gov.

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Supervised Persons

Kevin Reed CRD# 7492843

Educational Background and Business Experience: Kevin Reed(b.1983) is the founder and Managing Member of Diogenes Financial LLC("DF") since January 2022. Mr. Reed received his B.B.A. in Finance from James Madison University in 2005. He has studied for additional credits at the University of Hawaii from January 2013 to May 2014. Kevin has passed the NASD Series 65 exam. Kevin worked in the NYMEX markets in New York, and in various accounting and finance positions over the years. Mr. Reed has been trading equity options since 2009.

Disciplinary Information: Mr. Reed has no reported disciplinary actions.

Other Business Activities: None

Additional Compensation: Mr. Reed receives no additional compensation relating to advisory services, Client account management, or any other activity related to DF.

Supervision: As the Managing Member of DF, Kevin Reed is not supervised by other persons. Mr. Reed is subject to DF's compliance policies and Code of Ethics.

Requirements for State-Registered Advisers: There are no incidents to report relating to these requirements. Mr. Reed has not been the subject of a bankruptcy petition.