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This brochure provides information about the qualifications and business practices of Conservative Wealth Management, LLC. If you have any questions about the contents of this brochure, please contact by telephone at (323) 876-3300 or email at ([phil@phildemuth.com](mailto:phil@phildemuth.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.

Additional information about Conservative Wealth Management, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Please note that the use of the term "registered investment adviser" and description of Conservative Wealth Management, LLC and/or our associates as "registered" does not imply a certain level of skill or training. You are encouraged to review this Brochure and Brochure Supplement for more information on the qualifications of our firm.

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## ITEM 2: MATERIAL CHANGES TO FIRM BROCHURE

Conservative Wealth Management, LLC is required to advise you of any material changes to our Firm Brochure ("Brochure") from our last annual update. We must clearly state that we are only discussing material changes since the last annual update of our Brochure, and provide the date of the most recent annual update.

Please note that we do not have to provide this information to a client or prospective client who has not received a previous version of our brochure. At this time, there are no material changes to report about our Brochure.

Last annual update: January 11, 2013

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## ITEM 3: TABLE OF CONTENTS

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## ITEM 4: ADVISORY BUSINESS

A. Description of our advisory firm, including how long we have been in business and our principal owner(s).

We are dedicated to providing individuals and other types of clients with a wide array of investment advisory services. Our firm is a limited liability company formed in the State of California and has been in business as an investment adviser since 2006. The firm is one hundred percent owned by Mr. Philip DeMuth.

B. Description of the types of advisory services we offer.

(i) Asset Management:

We emphasize continuous and regular account supervision. As part of our asset management service, we generally create a portfolio, consisting of individual stocks or bonds, exchange traded funds ("ETFs"), mutual funds and other public securities or investments. The client's individual investment strategy is tailored to their specific needs and may include some or all of the previously mentioned securities. Each portfolio will be initially designed to meet a particular investment goal, which we determine to be suitable to the client's circumstances. Once the appropriate portfolio has been determined, we review the portfolio at least quarterly and if necessary, rebalance the portfolio based upon the client's individual needs, stated goals and objectives. Each client has the opportunity to place restrictions on the types of investments to be held in the portfolio.

(ii) Financial Planning and Consultations:

We provide a variety of financial planning and consultation services to individuals, families and other clients regarding the management of their financial resources based upon an analysis of client's current situation, goals, and objectives. Generally, such financial planning services will involve a financial consultation for clients based on the client's financial goals and objectives. This planning or consulting may encompass one or more of the following areas: Investment Planning, Retirement Planning, Estate Planning, Charitable Planning, Education Planning, Corporate and Personal Tax Planning, Cost Segregation Study, Corporate Structure, Real Estate Analysis, Mortgage/Debt Analysis, Insurance Analysis, Lines of Credit Evaluation, Business and Personal Financial Planning.

Our financial consultations rendered to clients usually include general recommendations for a course of activity or specific action to be taken by the clients. For example, recommendations may be made that the clients begin or revise investment programs, create or revise wills or trusts, obtain or revise insurance coverage, commence or alter retirement savings, or establish education or charitable giving programs. We may also refer clients to an accountant, attorney or other specialist, as necessary for non-advisory related services.

For financial consulting engagements, we usually do not provide our clients with a written summary of our observations and recommendations as the process is less formal. Implementation of the recommendations will be at the discretion of the client.

C. Explanation of whether we tailor our advisory services to the individual needs of clients and whether clients may impose restrictions on investing in certain securities.

(i) Individual tailoring of advice to clients:

We offer individualized investment advice to clients utilizing our firm's Asset Management service and general investment advice to clients utilizing our firm's Financial Planning and Consultations service.

(ii) Ability of clients to impose restrictions on investing in certain securities:

We allow clients to impose restrictions on investing in certain securities or types of securities despite the level of difficulty this would entail in managing their account.

D. Participation in wrap fee programs.

We do not offer wrap fee programs.

E. Disclosure of the amount of client assets we manage on a discretionary basis and the amount of client assets we manage on a non-discretionary basis as of 12/31/2012.

We manage<sup>1</sup> zero dollars on a discretionary basis and \$120,209,209 on a non-discretionary basis as of 12/31/2012.

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## ITEM 5: FEES AND COMPENSATION

We are required to describe our brokerage, custody, fees and fund expenses so you will know how much you are charged and by whom for our advisory services provided to you. Our fees are generally negotiable.

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<sup>1</sup> Please note that our method for computing the amount of "*client* assets we manage" can be different from the method for computing "assets under management" required for Item 5.F in Part 1A of Form ADV. However, we have chosen to follow the method outlined for Item 5.F in Part 1A of Form ADV. If we decide to use a different method at a later date to compute "*client* assets we manage," we must keep documentation describing the method we use and inform you of the change. The amount of assets we manage may be disclosed by rounding to the nearest \$100,000. Our "as of" date must not be more than three months before the date we last updated our *Brochure* in response to Item 4.E of Form ADV Part 2A.

A. Description of how we are compensated for our advisory services provided to you.

(i) Asset Management:

On an annualized basis, our fees for continuous portfolio management services range from 0% to 1% of the assets under management\*, depending on the amount of assets to be managed and the complexity of the portfolio. In limited circumstances, we may provide services on a per hour basis at a rate of \$500 per hour\*\*. The final fee will be based on the complexity of the client's financial situation and the portfolio(s) to be managed.

\*Our firms' fees are billed on a pro-rata annualized basis quarterly in arrears based on the average value of your account during the previous quarter.

\*\*The fee-paying arrangements for hourly charges, if any, will be determined on a case-by-case basis and will be detailed in advance in the signed agreement for services.

(ii) Financial Planning and Consultations:

We may charge on an hourly fee basis for extensive financial planning and consultation services. The total estimated fee, as well as the ultimate fee that we charge you, is based on the scope and complexity of our engagement with you. Our hourly fees, if assessed, are \$500 per hour.

B. Description of whether we deduct fees from clients' assets or bill clients for fees incurred.

(i) Asset Management:

Our firms' fees are billed on a pro-rata annualized basis quarterly in arrears based on the average value of your account during the previous quarter. Fees will generally be automatically deducted from your managed account\*. As part of this process, you understand and acknowledge the following:

- a) Your independent custodian sends statements at least quarterly to you showing all disbursements for your account, including the amount of the advisory fees paid to us;
- b) You provide authorization permitting us to be directly paid by these terms;
- c) If we send a copy of our invoice to you, we send a copy of our invoice to the independent custodian at the same time;
- d) The invoice includes a legend as required by paragraph (a)(2) of Rule 206(4)-2 under the Investment Advisers Act of 1940.\*\*

\*In rare cases, we will agree to directly bill clients. We do not offer direct billing as an option to our asset management clients.

**\*\*The legend urges the client to compare information provided in their statements with those from the qualified custodian in account opening notices and subsequent statements sent to the client for whom the adviser opens custodial accounts with the qualified custodian.**

In certain circumstances, we may provide services on an hourly basis. Our hourly fee is \$500 per hour. Hourly clients will be invoiced directly for the fees, and fees will be assessed pro rata in the event the management agreement is executed at any time other than the first day of a calendar quarter.

(ii) Financial Planning and Consultations:

We require a retainer of fifty-percent (50%) of the ultimate financial planning or consultation fee with the remainder of the fee directly billed to you and due to us within thirty (30) days of your financial plan being delivered or consultation rendered to you. In all cases, we will not require a retainer exceeding \$1,200 when services cannot be rendered within 6 (six) months.

C. Description of any other types of fees or expenses clients may pay in connection with our advisory services, such as custodian fees or mutual fund expenses.

Clients will incur transaction charges for trades executed in their accounts. These transaction fees are separate from our fees and will be disclosed by the firm through which trades are executed.

Also, clients will pay the following separately incurred expenses, of which we do not receive any part: charges imposed directly by a mutual fund, index fund, or exchange traded fund which shall be disclosed in the fund's prospectus (i.e., fund management fees and other fund expenses).

We have nothing to disclose regarding wrap accounts as we do not offer wrap fee programs.

D. Client's advisory fees are due quarterly in arrears.

We charge our advisory fees quarterly in arrears. Either party may terminate the agreement at anytime by providing written notice to the other party. You will incur charges for bona fide advisory services rendered to the point of termination and such fees will be due and payable by the client. Refunds will be given on a pro-rata basis.

E. Commissionable securities sales.

We do not sell securities for a commission. In order to sell securities for a commission, we would need to have our associated persons registered with a broker-dealer. We have chosen not to do so.

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

We do not charge performance fees to our clients.

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## ITEM 7: TYPES OF CLIENTS AND ACCOUNT REQUIREMENTS

We have the following types of clients:

- Individuals and High Net Worth Individuals;
- Trusts, Estates or Charitable Organizations;
- Pension and Profit Sharing Plans;
- Corporations, limited liability companies and/or other business types

We do not require a minimum account balance for our asset management service. However, most client relationships involve a total of at least \$1 million dollars in investable assets.

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

A. Description of the methods of analysis and investment strategies we use in formulating investment advice or managing assets.

We use Fundamental methods of analysis in formulating investment advice and managing assets.

Investment Strategies we use:

- Long term purchases (securities held at least a year)
- Short term purchases (securities sold within a year)

**Please note:**

Investing in securities involves risk of loss that clients should be prepared to bear. While the stock market may increase and your account(s) could enjoy a gain, it is also possible that the stock market may decrease and your account(s) could suffer a loss. It is important that you understand the risks associated with investing in the stock market, are appropriately diversified in your investments, and ask us any questions you may have.

B. Our practices regarding cash balances in *client* accounts, including whether we invest cash balances for temporary purposes and, if so, how.



We generally invest client's cash balances in money market funds, FDIC Insured Certificates of Deposit, high-grade commercial paper and/or government backed debt instruments. Ultimately, we try to achieve the highest return on our client's cash balances through relatively low-risk conservative investments. In most cases, at least a partial cash balance will be maintained in a money market account so that our firm may debit advisory fees for our services related to comprehensive portfolio management, asset management service and portfolio monitoring, as applicable.

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#### ITEM 9: DISCIPLINARY INFORMATION

We are required to disclose whether there are legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

We have determined that our firm and management have nothing to disclose under the aforementioned standard.

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#### ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

If we recommend or select other investment advisers for our clients and we receive compensation directly or indirectly from those advisers, or we have other business relationships with those advisers, we are required to describe these practices and discuss the conflicts of interest these practices create and how we address them.

We have determined we have nothing to disclose in this regard.

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

- A. Brief description of our Code of Ethics adopted pursuant to SEC rule 204A-1 and offer to provide a copy of our Code of Ethics to any client or prospective client upon request.

We recognize that the personal investment transactions of members and employees of our firm demand the application of a high Code of Ethics and require that all such transactions be carried out in a way that does not endanger the interest of any client. At the same time, we believe that if investment goals are similar for clients and for members and employees of our firm, it is logical and even desirable that there be common ownership of some securities. Therefore, in order to prevent conflicts of interest, we have in place a set of procedures (including a pre-clearing procedure) with respect to transactions effected by

our members, officers and employees for their personal accounts<sup>2</sup>. In order to monitor compliance with our personal trading policy, we have a quarterly securities transaction reporting system for all of our associates.

Furthermore, our firm has established a Code of Ethics which applies to all of our associated persons. An investment adviser is considered a fiduciary. As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. We have a fiduciary duty to all clients. Our fiduciary duty is considered the core underlying principle for our Code of Ethics which also includes Insider Trading and Personal Securities Transactions Policies and Procedures. We require all of our supervised persons to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Upon employment or affiliation and at least annually thereafter, all supervised persons will sign an acknowledgement that they have read, understand, and agree to comply with our Code of Ethics. Our firm and supervised persons must conduct business in an honest, ethical, and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. This disclosure is provided to give all clients a summary of our Code of Ethics. However, if a client or a potential client wishes to review our Code of Ethics in its entirety, a copy will be provided promptly upon request.

- B. If our firm or a related person invests in the same securities (or related securities, e.g., warrants, options or futures) that our firm or a related person recommends to clients, we are required to describe our practice and discuss the conflicts of interest this presents and generally how we address the conflicts that arise in connection with personal trading.

See Item 11A of this Brochure.

- C. If our firm or a related person recommends securities to clients, or buys or sells securities for client accounts, at or about the same time that you or a related person buys or sells the same securities for our firm's (or the related person's own) account, we are required to describe our practice and discuss the conflicts of interest it presents. We are also required to describe generally how we address conflicts that arise.

See Item 11A of this Brochure.

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<sup>2</sup> For purposes of the policy, our associate's personal account generally includes any account (a) in the name of our associate, his/her spouse, his/her minor children or other dependents residing in the same household, (b) for which our associate is a trustee or executor, or (c) which our associate controls, including our client accounts which our associate controls and/or a member of his/her household has a direct or indirect beneficial interest in.

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## ITEM 12: BROKERAGE PRACTICES

### A. Description of the factors that we consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

1. Research and Other Soft Dollar Benefits. If we receive research or other products or services other than execution from a broker-dealer or a third party in connection with *client* securities transactions (“soft dollar benefits”), we are required to disclose our practices and discuss the conflicts of interest they create. Please note that we must disclose all soft dollar benefits we receive, including, in the case of research, both proprietary research (created or developed by the broker-dealer) and research created or developed by a third party.

Research products and services provided by Fidelity Institutional Wealth Services (“FIWS”) through Fidelity Brokerage Services LLC, an unaffiliated service provider to our firm may include research reports on recommendations or other information about, particular companies or industries; economic surveys, data and analyses; financial publications; portfolio evaluation services; financial database software and services; computerized news and pricing services; quotation equipment for use in running software used in investment decision-making; and other products or services that provide lawful and appropriate assistance by FIWS to our firm in the performance of our investment decision-making responsibilities. Where a particular service or product that a broker or dealer is willing to provide for soft dollars has not only a “research” application, but is also useful to our firm for non-research purposes, we may allocate the cost of the product or service between its research and non-research uses and pay only the research portion with soft dollars. Our interest in making such allocations may differ from clients’ interests in that our firm has an incentive to designate as great a portion of the cost as research as possible in order to permit payment with soft dollars.

- a. Explanation of when we use client brokerage commissions (or markups or markdowns) to obtain research or other products or services, and how we receive a benefit because our firm does not have to produce or pay for the research, products or services.

When a broker-dealer provides research or other products or services in expectation of brokerage business, it generally suggests the level of business it would like to receive as compensation. In making our brokerage selections, we consider those suggestions as of part of our evaluation of the factors described above. Actual transactional business received by a particular broker or dealer during any period may be less than the suggested level, but could also exceed that level. This may be in part because the total brokerage business generated by clients exceeds the aggregate amounts requested by all brokers and dealers from which we receive services and products, and in part because the brokers and dealers that provide such services and products may also provide superior execution and may

therefore be the most appropriate broker-dealers for particular transactions regardless of whether or not they provided such services and products. In other cases, a broker or dealer may establish credits based on brokerage commissions paid in the past, which may be used to pay, or reimburse our firm for specified expenses. Brokers and dealers will not be excluded from consideration of receiving brokerage business simply because they have not provided research or other services or products, although we may not have been willing to pay had the broker provided research products and services.

- b. Incentive to select or recommend a broker-dealer based on our interest in receiving the research or other products or services, rather than on our clients' interest in receiving best execution.

We benefit our relationship with FIWS. As discussed above, we execute a substantial portion of our advisory clients' brokerage transactions through FIWS. Because our expenses would likely increase considerably without this relationship with FIWS, this relationship might be considered a "soft dollar" relationship. Under Section 28(e) of the Securities and Exchange Act of 1934, an investment adviser's use of client commission dollars to acquire research and brokerage products and services is not a breach of an investment adviser's fiduciary duty to clients – even if the brokerage commissions paid are higher than the lowest available as long as (among certain other requirements) the investment adviser determines that the commissions are reasonable compensation for both the brokerage services and the research acquired.

FIWS may suggest a level of future business in order to continue this relationship. Our execution of securities transactions through FIWS may be less than the suggested level but can and often does exceed that level. This relationship may create an incentive for our firm to cause you to effect more transactions through FIWS than we might otherwise do in order to meet suggested levels.

- c. Causing 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).

In certain cases, we may be authorized by you to select the brokers or dealers through whom all transactions are executed for your account(s). In doing so, you acknowledge and agree that:

- if you have signed an investment advisory agreement which directs us to execute transactions for your account through particular brokers and/or dealers, the prices and/or commissions are generally set by those separate firms and disclosed through their commission or pricing schedules.

On the other hand,

- if you have *not* signed an investment advisory agreement which directs us to execute transactions for your account through particular brokers and/or dealers, we allocate transactions in good faith to these brokers and/or dealers for execution through markets and at prices and/or commission rates we believe are appropriate;
- we may cause your account to pay a broker or dealer an amount of commission for effecting a transaction in excess of the amount of commission another broker or dealer would have charged for effecting that transaction;
- we would determine in good faith that such amount of commission is reasonable in relation to the value of the brokerage and research services provided by the broker or dealer, viewed in terms of either the particular transaction or our overall responsibilities with respect to the accounts as to which we exercise investment discretion;
- In choosing brokers and dealers, we are not required to consider any particular criteria;
- For the most part, we seek the best combination of brokerage expenses and execution quality but each client acknowledges and agrees that we are not required to select the broker or dealer that charges the lowest transaction cost, even if that broker or dealer provides execution quality comparable to other brokers or dealers;
- In evaluating “execution quality,” historical net prices (after markups, markdowns or other transaction-related compensation) on other transactions are a principal factor.
- Additional factors are also relevant, including, without limitation: the execution, clearance, and settlement and error correction capabilities of the broker or dealer generally and in connection with securities of the type and in the amounts to be bought or sold; the broker’s or dealer’s willingness to commit capital; reliability and financial stability; the size of the transaction; availability of securities to borrow for short sales; and the market for the security.

Under Section 28(e), we may make use of client commission dollars to acquire research and brokerage products and services is not a breach of an investment adviser’s fiduciary duty to clients – even if the brokerage commissions are higher than the lowest available as long as the investment adviser determines, among other requirements, that the commissions are reasonable compensation for both the brokerage services and the research acquired. In addition to execution quality, we consider the value of various services or products, beyond execution, that a broker-dealer provides to our firm.

Selecting a broker-dealer in recognition of such other services and products is known as paying for those services or products with soft dollars. Because many of those services could benefit our firm, we may have a conflict in allocating

client's brokerage business. Under Section 28(e), our use of client's commission dollars to acquire "research" products and services is not a breach of our fiduciary duty to clients – even if the brokerage commissions (as the term "commissions" may be interpreted from time to time by the Securities and Exchange Commission and its staff) paid are higher than the lowest available so long as (among certain other requirements) we determine that such commissions are reasonable compensation for both the brokerage services and the "research" acquired. For these purposes, "research" means services or products used to provide lawful or appropriate assistance to our firm in making investment decisions for our clients.

The types of research, we may acquire include, without limitation: reports on or other information about particular companies or industries; economic surveys and analyses; recommendations as to specific securities; financial publications; portfolio evaluation services; financial database software and services; computerized news, pricing and order-entry services; quotation equipment and other computer hardware for use in running software used in investment decision making; and other products or services that may enhance our investment decision making. The Section 28(e) "safe harbor" applies to the use of a client's "soft dollars" even when the research acquired is used in making investment decisions for any of our clients, regardless of whether the "soft dollars" are a result of transactions for a particular client.

- d. Disclosure of whether we use soft dollar benefits to service all of our clients' accounts or only those that paid for the benefits, as well as whether we seek to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate.

We use soft dollar benefits to service all of our client accounts, not just those which may have paid for the benefits. Due to the time and complexity involved, we have chosen not to allocate soft dollar benefits proportionately to client accounts generating soft dollar credits.

- e. Description of the types of products and services our firm or any of our related persons acquired with client brokerage commissions (or markups or markdowns) within our last fiscal year.

We are required to specifically describe to our clients the types of products or services that we are acquiring and to permit them to evaluate possible conflicts of interest. Our description must be more detailed for products or services that do not qualify for the safe harbor in Section 28(e) of the Securities Exchange Act of 1934, such as those services that do not aid in investment decision-making or trade execution. Merely disclosing that we obtain various research reports and products is not specific enough.

In addition to the benefits described in Item 12A1 of this Brochure, FIWS also makes available to our firm other products and services that benefit us, but may not benefit our clients' accounts. These benefits may include national, regional or investment adviser specific educational events organized and/or sponsored by FIWS. Other potential benefits may include occasional business entertainment of personnel of our firm by FIWS personnel, including meals, invitations to sporting events, including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities.

Some of these products and services assist our firm in managing and administering clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of our fees from clients' accounts, and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of our accounts, including accounts not maintained at FIWS. FIWS also makes available to our firm other services intended to help our firm manage and further develop our business enterprise. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance, and marketing. In addition, FIWS may make available, arrange and/or pay vendors for these types of services rendered to our firm by independent third parties. FIWS may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to our firm.

While, as a fiduciary, our firm endeavors to act in its clients' best interests, Adviser's recommendation/requirement that clients maintain their assets in accounts at FIWS may be based in part on the benefit to our firm of the availability of some of the foregoing products and services and other arrangements and not solely on the nature, cost, or quality of custody and brokerage services provided by FIWS, which may create a potential conflict of interest.

We would have to obtain the aforementioned services and products for cash if we did not have soft dollars available to pay for them. As a result of receiving such products and services for no cost, we may have an incentive to continue to place client trades through broker-dealers that offer soft dollar arrangements. This interest conflicts with the clients' interest of obtaining the lowest commission rate available. Therefore, we must determine in good faith, based on the best execution policy stated above that such commissions are reasonable in relation to the value of the services provided by such executing broker-dealers.

f. Explanation of the procedures we used during our last fiscal year to direct client transactions to a particular broker-dealer in return for soft dollar benefits we received.

All soft dollars arrangements must be approved in writing by our Chief Compliance Officer. A brief description of the purpose of the soft dollar arrangement outlining the benefits received by our firm and clients along with any noted concerns about increased costs to our clients and how such concerns were alleviated will be maintained on file. Our Chief Compliance Officer undertakes a review of parties which propose to pay our firm in soft dollars and analyzes a number of criteria. When deciding whether to approve or disapprove of a soft dollar relationship, the following criteria is reviewed: the broker-dealer's business reputation and financial position and its ability to consistently execute orders professionally and on a cost effective basis, provide prompt and accurate execution reports, prepare timely and accurate confirms, deliver securities or cash proceeds promptly and provide meaningful research services that are useful to us in investment decision-making or other desired and appropriate services. Our Chief Compliance Officer also annually reviews all our soft dollar relationships for appropriateness, benefits to our clients, etc.

At times, a product or service we would like to purchase with soft dollars may have a "mixed use", meaning that a portion of the product is used to provide bona fide research as part of the investment decision-making process and part of it may be used for a non-research purpose. In these situations, our Chief Compliance Officer will make a pro-rata allocation of the cost of such service based on its evaluation of the research and non-research uses of the product.

The cost of the product must be paid using both hard and soft dollars, the hard dollars being paid by our firm for the non-research portion and soft dollars for the research portion. For services that have a "mixed use", our Chief Compliance Officer will make a fair and reasonable determination as to how much of the cost may be paid with soft dollars. The basis for such determination shall be documented and will include an explanation as to how the computation of such percentage was reached. Our Chief Compliance Officer's computation shall be retained in our firms' files along with any records used to determine the "mixed use" percentages. Whenever there is a substantial change in the use of "mixed use" services, our Chief Compliance Officer will reevaluate such services. Providers of services that have a "mixed use" will be directed to either bill the paying broker for such service and the broker will be directed to bill us for the non-research portion, or to send separate bills to us and the paying broker for the appropriate amounts.

As a fiduciary, we have an obligation to obtain "best execution" of clients' transactions under the circumstances of the particular transaction. Consequently, notwithstanding the safe harbor provided under Section 28(e), no



allocation for soft dollar payments shall be made unless best execution of the transaction is reasonably expected to be obtained.

- 2) Brokerage for Client Referrals. If we consider, in selecting or recommending broker-dealers, whether our firm or a related person receives client referrals from a broker-dealer or third party, we are required to disclose this practice and discuss the conflicts of interest it create. Our firm does not receive brokerage for client referrals.

3) Directed Brokerage.

- a. If we routinely recommend, request or require that a client directs us to execute transactions through a specified broker-dealer, we are required to describe our practice or policy. Further, we must explain that not all advisers require their clients to direct brokerage. If our firm and the broker-dealer are affiliates or have another economic relationship that creates a material conflict of interest, we are further required to describe the relationship and discuss the conflicts of interest it presents by explaining that through the direction of brokerage we may be unable to achieve best execution of client transactions, and that this practice may cost our clients more money.

Neither we nor any of our firm's related persons have discretionary authority in making the determination of the brokers with whom orders for the purchase or sale of securities are placed for execution, and the commission rates at which such securities transactions are effected.

- b. If we permit a client to direct brokerage, we are required to describe our practice. If applicable, we must also explain that we may be unable to achieve best execution of your transactions. Directed brokerage may cost clients more money. For example, in a directed brokerage account, you may pay higher brokerage commissions because we may not be able to aggregate orders to reduce transaction costs, or you may receive less favorable prices on transactions.

See Item 12A(3) of this Brochure.

- B. Discussion of whether, and under what conditions, we aggregate the purchase or sale of securities for various client accounts in quantities sufficient to obtain reduced transaction costs (known as bunching). If we do not bunch orders when we have the opportunity to do so, we are required to explain our practice and describe the costs to clients of not bunching.

We perform investment management services for various clients. There are occasions on which portfolio transactions may be executed as part of concurrent authorizations to purchase or sell the same security for numerous accounts served by our firm, which involve accounts with similar investment objectives.

Although such concurrent authorizations potentially could be either advantageous or disadvantageous to any one or more particular accounts, they are effected only when we believe that to do so will be in the best interest of the affected accounts. When such concurrent authorizations occur, the objective is to allocate the executions in a manner which is deemed equitable to the accounts involved. In any given situation, we attempt to allocate trade executions in the most equitable manner possible, taking into consideration client objectives, current asset allocation and availability of funds using price averaging, proration and consistently non-arbitrary methods of allocation.

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## ITEM 13      REVIEW OF ACCOUNTS OR FINANCIAL PLANS

A. Review of client accounts or financial plans, along with a description of the frequency and nature of our review, and the titles of our employees who conduct the review.

We review accounts on at least a quarterly basis for our clients subscribing to our Asset Management service. The nature of these reviews is to learn whether clients' accounts are in line with their investment objectives, appropriately positioned based on market conditions, and investment policies, if applicable. Philip Demuth, Managing Director and Chief Compliance Officer, will conduct reviews of all client accounts.

Financial planning clients do not receive reviews of their financial plans unless they take action to schedule a financial consultation with us. We do not provide ongoing services to financial planning clients, but are willing to meet with such clients upon their request to discuss updates to their plans, changes in their circumstances, etc.

B. Review of client accounts on other than a periodic basis, along with a description of the factors that trigger a review.

We may review client accounts more frequently than described above. Among the factors which may trigger an off-cycle review are major market or economic events, the client's life events, requests by the client, etc.

C. Description of the content and indication of the frequency of written or verbal regular reports we provide to clients regarding their accounts.

We do not provide written reports to clients, unless asked to do so. Verbal reports to clients take place on at least an annual basis when we meet with clients who subscribe to our Asset Management service.

As mentioned in Item 13A of this Brochure, financial planning clients do not receive written or verbal updated reports regarding their financial plans unless they separately contract with us for a post-financial plan meeting or update to their initial written financial plan.

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## ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

- A. If someone who is not a *client* provides an economic benefit to our firm for providing investment advice or other advisory services to our *clients*, we must generally describe the arrangement. For purposes of this Item, economic benefits include any sales awards or other prizes.

### **Fidelity:**

We may execute or recommend that clients execute their securities transactions through Fidelity Institutional Wealth Services (“FIWS”) through Fidelity Brokerage Services LLC, registered broker-dealers with FINRA/SIPC.

FIWS may charge commissions (ticket charges) for executing our transactions. We do not receive any part of these separate charges which are assessed directly to us. FIWS does not have a role with respect to our investment advisory accounts; however they may serve as the broker-dealer in cases where clients wish to execute recommendation as part of the implementation of a financial plan.

It is important to note that FIWS does not maintain supervisory relationships with respect to us or its representatives nor are they in any way affiliated with it. We are independently owned and operated.

We may recommend/require that clients establish accounts with FIWS to maintain custody of clients’ assets and to effect trades for their accounts. FIWS may provide us with access to their institutional trading and custody services, which are typically not available to FIWS retail investors. FIWS ’s services include brokerage custody, research and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For our Clients’ accounts maintained in their custody, FIWS does not charge separately for custody but are compensated by account holders through commissions or other transaction-related fees or securities trades that are executed through FIWS or that settle into FIWS .

FIWS also makes available to us other products and services that may benefit us but which may not benefits its clients. These types of services will help us in managing and administering client accounts. These include software and other technology that provide access to client account data (i.e. trade confirmations and account statements); facilitate trade executions; provide research, pricing information, and other market data; facilitate in the payment of our fees from its clients’ accounts; and assist with back-office functions, record-keeping, and client reporting. Many of these services may be used to service all or a substantial number of our accounts.

We place trades for its Clients' accounts subject to its duty to seek best execution and its other fiduciary duties. We may use broker-dealers other than FIWS to execute trades for client accounts maintained at FIWS, but this practice may result in additional costs to clients so that we are more likely to place trades through FIWS rather than other broker-dealers. FIWS's execution quality may be different than other broker-dealers.

Additional Compensation:

We may receive research and execution related services from the parties mentioned above to assist us in managing its accounts. These services and products would include financial publications, pricing information and other products or services. Such research and execution related services are offered to all investment advisors who utilize these firms.

However, the commissions charged by these parties may be higher than those charged by a broker who does not provide the aforementioned research and execution related services. As a result of receiving such services for no additional cost, we may have an incentive to continue to use or expand the use of Fidelity's services. We examined this potential conflict of interest when we chose to enter into the relationship with Fidelity and have determined that the relationship is in the best interests of our clients and satisfies its client obligations, including its duty to seek best execution. A client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where we determine in good faith that the commission is reasonable in relation to the value of the brokerage and research services received.

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. Accordingly, although we will seek competitive rates, to the benefit of all clients, it may not necessarily obtain the lowest possible commission rates for specific client account transactions. Although the investment research products and services that may be obtained by Adviser will generally be used to service all of our clients, a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client's account. We and Fidelity are not affiliates, and no broker-dealer affiliated with us is involved in the relationship between us and Fidelity.

- B. If our firm or a related person directly or indirectly compensates any person who is not our employee for client referrals, we are required to describe the arrangement and the compensation.

We have nothing to disclose to this regard.

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## ITEM 15: CUSTODY

- A. If we have custody of client funds or securities and a qualified custodian as defined in SEC rule 206(4)-2 or similar state rules does not send account statements with respect to those funds or securities directly to our clients, we must disclose that we have custody and explain the risks that you will face because of this.

All of our clients receive at least quarterly account statements directly from their custodians. Upon opening an account with a qualified custodian on a client's behalf, we promptly notify the client in writing of the qualified custodian's contact information. If we decide to also send account statements to clients, such notice and account statements include a legend that recommends that the client compare the account statements received from the qualified custodian with those received from our firm.

- B. If we have custody of client funds or securities and a qualified custodian sends quarterly, or more frequent, account statements directly to our clients, we are required to explain that you will receive account statements from the broker-dealer, bank, or other qualified custodian and that you should carefully review those statements.

We encourage our clients to raise any questions with us about the custody, safety or security of their assets. The custodians we do business with will send you independent account statements listing your account balance(s), transaction history and any fee debits or other fees taken out of your account.

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## ITEM 16: INVESTMENT DISCRETION

If we accept discretionary authority to manage securities accounts on behalf of clients, we are required to disclose this fact and describe any limitations our clients may place on our authority. The following procedures are followed before we assume this authority:

Our clients need to sign a non-discretionary investment advisory agreement with our firm for the management of their account. This type of agreement only applies to our Asset Management clients. We do not take or exercise discretion with respect to our other clients.

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## ITEM 17: VOTING CLIENT SECURITIES

If we accept, proxy authority to vote client securities, we must briefly describe our voting policies and procedures, including those adopted pursuant to SEC Rule 206(4)-6.

We do not and will not accept the proxy authority to vote client securities. Clients will receive proxies or other solicitations directly from their custodian or a transfer agent.

In the event that proxies are sent to our firm, we will forward them on to you and ask the party who sent them to mail them directly to you in the future. Clients may call, write or email us to discuss questions they may have about particular proxy vote or other solicitation.

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## ITEM 18: FINANCIAL INFORMATION

- A. If we require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, we must include a balance sheet for our most recent fiscal year.

We do not require nor do we solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, therefore we have not included a balance sheet for our most recent fiscal year.

- B. If we are an SEC-registered adviser and have discretionary authority or custody of client funds or securities, or we require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, we must disclose any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients.

We have nothing to disclose in this regard.

- C. If we have been the subject of a bankruptcy petition at any time during the past ten years, we must disclose this fact, the date the petition was first brought, and the current status.

We have nothing to disclose in this regard.