

# Wrap Fee Brochure

September 1, 2013

## CFWP Wrap Fee Program

Sponsored By

**CANTOR FITZGERALD WEALTH PARTNERS, LLC**

This brochure provides information about the qualifications and business practices of Cantor Fitzgerald Wealth Partners, LLC (hereinafter "CFWP" or the "Firm"). If you have any questions about the contents of this brochure, please contact us at (212) 915-1010. 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 Cantor Fitzgerald Wealth Partners, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Cantor Fitzgerald Wealth Partners, LLC is an SEC registered investment adviser. Registration does not imply any level of skill or training.

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**Item 2. Material Changes**

There are no material changes to disclose in this Item.

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**Item 4. Services, Fees and Compensation**

The CFWP Wrap Program (the “Program”) is an investment advisory program sponsored by Cantor Fitzgerald Wealth Partners, LLC (“CFWP” “we” or “our”), an SEC-registered investment adviser with its principal place of business located in New York. CFWP began conducting business in May 2013. As of September 1, 2013, CFWP does not have any assets under management.

Cantor Fitzgerald Wealth Partners Holdings, LLC is CFWP’s parent company and the principal shareholder of CFWP.

We, through our individual financial advisors (each, a “Financial Advisor”), provide financial planning, consulting and investment management services. Each Financial Advisor is committed to our process of helping clients to build and maintain wealth, which includes the following:

1. Understanding a client’s goals and risk;
2. Analyzing the macroeconomic environment to provide rational expectations on future economic conditions;
3. Building a sound foundation by matching investment products to the economic environment; and
4. Identifying “relative value” — what is over-valued and what is under-valued in the marketplace.

Within this framework, each Financial Advisor has his or her own investment selection process and approach to investing. Different Financial Advisors may provide different advice to clients with similar financial situations and investment goals. Each Financial Advisor may provide any or all of the services listed below. While each Financial Advisor will inform the client of the specific services he or she will provide, the client should carefully review the description of services below to fully understand which services the client will receive.

This Wrap Fee Brochure describes the business of CFWP as it relates to clients receiving services through the Program. Certain sections also describe the activities of the Firm’s *Supervised Persons*, which refer to any officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees, or other persons who provide investment advice on CFWP’s behalf and are subject to the Firm’s supervision. Information about other services provided by CFWP can be found in CFWP’s Disclosure Brochure.

**Description of the Program**

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The Program is offered as a wrap fee program, which provides clients with the ability to trade in certain investment products without incurring separate brokerage commissions or transaction charges. A wrap fee program is considered any arrangement under which clients receive investment advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and the execution of their transactions for a specified fee.

***Portfolio Management***

We can be engaged to manage all or a portion of a client's assets based on the individual needs of the client. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, we develop a personal investment policy for each client and create and manage a portfolio based on that policy. During the data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we also review and discuss a client's prior investment history, as well as family composition and background.

We manage these advisory accounts on a discretionary or non-discretionary basis. Account supervision is guided by the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations.

Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company and will generally include advice regarding the following securities:

- Exchange-listed securities;
- Securities traded over-the-counter;
- Corporate debt securities (other than commercial paper);
- Commercial paper;
- Certificates of deposit;
- Municipal securities;
- Mutual fund shares;
- Exchange-traded funds;
- United States governmental securities;
- Options contracts on securities
- Separate Account Managers (as described below); and
- Interests in partnerships and privately placed securities that invest in real estate, oil and gas, debt, equity or other privately placed securities.

Because some types of investments involve certain additional degrees of risk, they will only be implemented/recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability. Clients are advised to promptly notify their Financial Advisor if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon our management services.

We may also render non-discretionary investment management services to clients relative to variable life/annuity products that they may own, their individual employer-sponsored retirement plans, and/or 529 plans or other products that may not be held by the client's primary custodian. In so doing, Financial Advisors either direct or recommend the allocation of client assets among the various investment options that are available with the product. Client assets are maintained at the specific insurance company or custodian designated by the product.

***Selection and Monitoring of Third-Party Separate Account Managers***

We may also recommend that certain clients authorize the active discretionary management of a portion of their assets by and/or among certain independent investment managers ("Separate Account Managers"), based upon the stated investment objectives of the client. This may be accomplished through directly engaging Separate Account Managers or through the use of third-party platforms (often called "turnkey asset management programs" or "TAMPs") where such Separate Account Managers are available. The Separate Account Managers or TAMPs may provide additional administrative services to clients as well as investment management services.

The terms and conditions under which the client engages the Separate Account Managers are set forth in a separate written agreement between us or the client and the designated Separate Account Managers. We render services to the client relative to the discretionary and/or non-discretionary selection or recommendation of Separate Account Managers. We also monitor and review the account performance and the client's investment objectives. We receive an annual advisory fee which is based upon a percentage of the market value of the assets being managed by the designated Separate Account Managers.

When recommending or selecting a Separate Account Manager for a client, we review information about the Separate Account Manager such as its disclosure brochure and/or material supplied by the Separate Account Manager or independent third parties for a description of the Separate Account Manager's investment strategies, past performance and risk results to the extent available. Factors that we consider in recommending a Separate Account Manager include the client's stated investment objectives, management style, performance, reputation, financial strength, reporting, pricing, and research.

In addition to our written disclosure brochure, the client also receives the written disclosure brochure of the designated Separate Account Managers. Certain Separate Account Managers may impose more restrictive account requirements and varying billing practices than us. In such instances, we may alter our corresponding account requirements and/or billing practices to accommodate those of the Separate Account Managers.

If we refer a client to a Separate Account Manager where our compensation is included in the advisory fee charged by such Separate Account Manager and the client engages the Separate Account Manager, we are compensated for our services by receipt of a fee to be paid directly by the Separate Account Manager to us in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of

1940, as amended, and any corresponding state securities laws, rules, regulations, or requirements. Any such fee is paid solely from the Separate Account Manager's investment management fee, and does not result in any additional charge to the client.

**Other Services**

*Financial Advisor Reporting Only:* We may also be engaged to provide reporting services through TAMPs that allow Financial Advisors to monitor clients' accounts. Financial Advisors are able to examine their clients' holdings, allocation of assets and portfolio performance. Performance reporting is calculated according to industry standards and is applied to each account or combination of several related accounts for a household's or family's assets. When providing these services, clients should be aware that neither we, nor the Financial Advisor, are actively managing such accounts.

*Financial Planning:* We provide financial planning services. Our financial planning services include a comprehensive evaluation of a client's current and future financial state by using currently known variables to help predict future cash flows, asset values, and withdrawal plans. Through the financial planning process, all questions, information, and analysis are considered as they impact and are impacted by the entire financial and life situation of the client. Clients that choose this service receive a written report which provides the client with a detailed financial plan designed to assist the client achieve his or her financial goals and objectives.

These planning services include any or all of the following: income tax, estate tax, insurance, education, retirement, and capital and tax flow. To the extent other services are needed, we will assist you in those areas. We may also help you coordinate the implementation of any recommendations made, including referral to other practicing professionals such as an attorney, accountant or insurance agent whose services may be required.

A more detailed description of the financial planning and reporting services, including the fees associated with the services, can be found in CFWP's written disclosure brochure which will be provided separately.

Prior to engaging CFWP to provide services through the Program, the client is required to enter into a written agreement with CFWP setting forth the terms and conditions under which CFWP renders its services (the "*Agreement*"). Clients must also open a new securities brokerage account and complete a new account agreement with a broker-dealer CFWP approves under the Program (collectively "*Financial Institutions*").

**Fees for Participation in the Program**

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The portfolio management and selection and monitoring of third-party separate account manager services discussed above are offered through the Program on a fee basis, meaning that clients pay a single annualized fee based upon assets under management. The Firm also offers advisory services, including

financial planning and reporting, outside of the Program under different fee arrangements than those discussed below.

Clients may incur certain charges imposed by third parties in addition to the program fee such as charges imposed directly by a mutual fund or exchange-traded fund in the account, which is disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses) (see detail under General Information, below), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

We provide portfolio management services for an annual fee based upon a percentage of the market value of the assets being managed by us. Our annual fee is prorated and charged quarterly, in advance, based upon the market value of the assets being managed on the last day of the previous quarter. The annual fee varies but will typically range between .50% and 2.50% depending upon a number of factors including the market value of the assets under management, the type of investment management services to be rendered, and the Financial Advisor providing the services. We may negotiate fees on a client-by-client and Financial Advisor-by-Financial Advisor basis.

Clients may make additions to and withdrawals from their account at any time, subject to our right to terminate an account. Additions may be in cash or securities provided that we reserve the right to liquidate any transferred securities or decline to accept particular securities into a client's account.

If assets in excess of \$100,000 of the existing portfolio value are deposited into or withdrawn from an account after the inception of a billing period, the fee payable with respect to such assets is prorated to account for the change in portfolio value.

### **Fee Comparison**

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A portion of the fees paid to CFWP are used to cover the securities brokerage commissions and transactional costs attributed to the management of its clients' portfolios, as well as the fees charged by the Separate Account Managers engaged to provide services under the Program.

Services provided through the Program may cost clients more or less than purchasing these services separately. The number of transactions made in clients' accounts, as well as the commissions charged for each transaction, determines the relative cost of the Program versus paying for execution on a per transaction basis and paying a separate fee for advisory services. Since CFWP will pay the transaction/executions costs associated with equities transactions, there is a conflict of interest because the CFWP has a disincentive to trade securities.

Fees paid for the Program may also be higher or lower than fees charged by other sponsors of comparable investment advisory programs.



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**Account Additions and Withdrawals**

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Clients may make additions to and withdrawals from their account at any time, subject to CFWP's right to terminate an account. Additions may be in cash or securities provided that the Firm reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to CFWP, subject to the usual and customary securities settlement procedures. However, CFWP designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. CFWP may consult with its clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

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**Compensation for Recommending the Program**

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CFWP has no internal arrangements in place whereby persons recommending the Program are entitled to receive additional compensation as a result of clients' participation.

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**General Information**

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*Billing:* Our firm directly debits advisory fees from client accounts. As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period. Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

*Receipt of commissions:* Certain Financial Advisors and other employees are separately licensed as registered representatives of a broker-dealer and/or licensed as insurance agents or brokers. In their separate capacities, these individuals are able to implement investment recommendations for advisory clients for separate and typical compensation (i.e., commissions, 12b-1 fees, or other sales-related forms of compensation) outside of the Program. In addition, CFWP expects to be an SEC registered broker-dealer and member of FINRA and in such capacity we may receive a share of commissions generated by Financial Advisors.

This presents a conflict of interest to the extent that these individuals recommend that a client invest in a security which results in a commission being paid to the individuals. Clients are not under any obligation to engage these individuals when considering implementation of advisory recommendations. Each Financial Advisor may, at his or her discretion, offset the client's Financial Planning fees to the extent the Financial Advisor or other of our related persons have earned commissions from implementing financial planning recommendations. Commissions for product transactions will never serve as a credit on the client's account. Any commissions received as part of the services provided under the Program will be

part of the Fees described in this brochure.

*Limited Negotiability of Advisory Fees:* Although we have established the range of fees listed above, each Financial Advisor may negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets; related accounts; portfolio style, account composition, reports, and the policy of the particular Financial Advisor, among other factors. Clients with similar financial situations and investment goals who use different Financial Advisors may pay different fees. We will review all fees to ensure that they are reasonable. The specific fee schedule will be identified in the contract between our firm and each client.

We may group certain related client accounts for the purposes of achieving the minimum account size requirements and determining the annualized fee.

Discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm.

*Termination of the Advisory Relationship:* A client agreement may be canceled at any time, by either party, for any reason upon receipt of written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded and any earned, unpaid fees will be due and payable. In calculating a client's reimbursement of fees, we will pro rate the reimbursement according to the number of days remaining in the billing period.

*Mutual Fund and ETF Fees:* All fees paid to CFWP for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. Fund sales charges will be included in the wrap fee described above. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

*ERISA Accounts:* CFWP may be deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, CFWP may only charge fees for investment advice about products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees, or conversely, investment advice about products for which our firm and/or our related persons receive commissions or 12b-1 fees, however, only when such fees are used to offset CFWP's advisory fees.

*Advisory Fees in General:* Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

*Limited Prepayment of Fees:* Under no circumstances do we require or solicit payment of fees in excess of \$1200 more than six months in advance of services rendered.

## **Item 5. Account Requirements and Types of Clients**

### **Types of Clients**

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We provide advisory services to the following types of clients:

- Individuals (other than high net worth individuals);
- High net worth individuals;
- Pension and profit sharing plans;
- Charitable organizations; and
- Corporations or other businesses.

### **No Minimum Account Requirements**

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CFWP does not impose a stated minimum fee or minimum portfolio value for participation in the Program. Certain Separate Account Managers may, however, impose more restrictive account requirements and varying billing practices than CFWP. In these instances, CFWP may alter its corresponding account requirements and/or billing practices to accommodate those of the Separate Account Managers.

Certain Separate Account Managers may impose more restrictive account requirements and varying billing practices than CFWP. In such instances, CFWP may alter its corresponding account requirements and/or billing practices to accommodate those of the Separate Account Managers.

## **Item 6. Portfolio Manager Selection and Evaluation**

CFWP acts as the sponsor and sole portfolio manager under the Program. CFWP manages investment portfolios through the Program in substantially the same manner as those it manages outside of the Program.

## Methods of Analysis

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Each Financial Advisor may use any or all of the following methods of analysis in identifying attractive investment opportunities or determining an investment program for the client. Clients should review with each Financial Advisor the specific methods of analysis being used for the client's portfolio.

*Charting:* In this type of technical analysis, we review charts of market and security activity in an attempt to identify when the market is moving up or down and to predict how long the trend may last and when that trend might reverse.

*Fundamental Analysis:* We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

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

*Technical Analysis:* We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.

Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

*Cyclical Analysis:* In this type of technical analysis, we measure the movements of a particular stock against the overall market in an attempt to predict the price movement of the security.

*Quantitative Analysis:* We use mathematical models in an attempt to obtain more accurate measurements of a company's quantifiable data, such as the value of a share price or earnings per share, and predict changes to that data.

A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.

*Qualitative Analysis:* We subjectively evaluate non-quantifiable factors such as quality of management, labor relations, and strength of research and development factors not readily subject to measurement, and predict changes to share price based on that data.

A risk is using qualitative analysis is that our subjective judgment may prove incorrect.

*Asset Allocation:* Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance.

A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

*Mutual Fund and/or ETF Analysis:* We look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the client's portfolio. We also monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy.

A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

*Third-Party Money Manager Analysis:* We examine the experience, expertise, investment philosophies, and past performance of independent third-party investment managers in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We monitor the manager's underlying holdings, strategies, concentrations and leverage as part of our overall periodic risk assessment. Additionally, as part of our due-diligence process, we survey the manager's compliance and business enterprise risks.

A risk of investing with a third-party manager who has been successful in the past is that he/she may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a third-party manager's portfolio, there is also a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients. Moreover, as we do not control the manager's daily business and compliance operations, we may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

*Risks for all forms of analysis:* Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

### Investment Strategies and Risks of Loss

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We will issue a list of approved investments and Separate Account Managers that a Financial Advisor can utilize in client portfolios. Each Financial Advisor will then manage his or her clients' assets by allocating amongst any of the approved investments and Separate Account Managers.

Each Financial Advisor may use any or all of the following investment strategies in identifying attractive investment opportunities or determining an investment program for the client. Clients should review with each Financial Advisor the specific investment strategies being used for the client's portfolio.

*Long-term purchases:* We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

*Short-term purchases:* When utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

A short-term purchase strategy poses risks should the anticipated price swing not materialize; we are then left with the option of having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss.

In addition, this strategy involves more frequent trading than does a longer-term strategy, and will result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

*Trading:* We purchase securities with the idea of selling them very quickly (typically within 30 days or less). We do this in an attempt to take advantage of our predictions of brief price swings.

Utilizing a trading strategy creates the potential for sudden losses if the anticipated price swing does not materialize. Moreover, under those circumstances, we are left with few options:

- having a long-term investment in a security that was designed to be a short-term purchase, or
- the potential of having to taking a loss.

In addition, because this strategy involves more frequent trading than does a longer-term strategy, there will be a resultant increase in brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

*Short sales:* We borrow shares of a stock for your portfolio from someone who owns the stock on a promise to replace the shares on a future date at a certain price. Those borrowed shares are then sold. On the agreed-upon future date, we buy the same stock and return the shares to the original owner. We engage in short selling based on our determination that the stock will go down in price after we have borrowed the shares. If we are correct and the stock price has gone down since the shares were purchased from the original owner, the client account realizes the profit.

Short selling results in some unique risks:

- Losses can be infinite. A short sale loses when the stock price rises, and a stock is not limited (at least, theoretically) in how high it can go. For example, if you short 100 shares at \$50 each, hoping to make a profit but the shares increase to \$75 per share, you'd lose \$2,500. On the other hand, the price of a stock cannot fall below \$0, which limits your potential upside.
- Short squeezes can wring out profits. As stock prices increase, short seller losses also increase as sellers rush to buy the stock to cover their positions. This increase in demand, in turn, further drives the prices up.
- Timing. Even if we are correct in determining that the price of a stock will decline, we run the risk of incorrectly determining when the decline will take place, i.e., being right too soon. Although a company is overvalued, it could conceivably take some time for the price to come down; during which you are vulnerable to interest, margin calls, etc.
- Inflation. History has shown that over the long term, most stocks appreciate. Even if a company barely improves over time, inflation should drive its share price up somewhat. In fact, short selling may not be appropriate in times of inflation for that very reason, as prices may adjust upwards regardless of the value of the stock.

*Margin transactions:* We will purchase stocks for your portfolio with money borrowed from your brokerage account. This allows you to purchase more stock than you would be able to with your available cash, and allows us to purchase stock without selling other holdings.

A risk in margin trading is that, in volatile markets, securities prices can fall very quickly. If the value of the securities in your account minus what you owe the broker falls below a certain level, the broker will issue a "margin call", and you will be required to sell your position in the security purchased on margin or add more cash to the account. In some circumstances, you may lose more money than you originally invested.

*Option writing:* We may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price

on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.

The two types of options are calls and puts:

- A call gives us the right to buy an asset at a certain price within a specific period of time. We will buy a call if we have determined that the stock will increase substantially before the option expires.
- A put gives us the holder the right to sell an asset at a certain price within a specific period of time. We will buy a put if we have determined that the price of the stock will fall before the option expires.

We will use options to speculate on the possibility of a sharp price swing. We will also use options to "hedge" a purchase of the underlying security; in other words, we will use an option purchase to limit the potential upside and downside of a security we have purchased for your portfolio.

We use "covered calls", in which we sell an option on security you own. In this strategy, you receive a fee for making the option available, and the person purchasing the option has the right to buy the security from you at an agreed-upon price.

We use a "spreading strategy", in which we purchase two or more option contracts (for example, a call option that you buy and a call option that you sell) for the same underlying security. This effectively puts you on both sides of the market, but with the ability to vary price, time and other factors.

A risk of covered calls is that the option buyer does not have to exercise the option, so that if we want to sell the stock prior to the end of the option agreement, we have to buy the option back from the option buyer, for a possible loss.

A risk of spreading strategies is that the ability to fully profit from a price swing is limited.

*Use of Separate Account Managers:* We may recommend the use of Separate Account Managers for certain clients. A risk of using Separate Account Managers is that while we will continue to do ongoing due diligence of such managers, these recommendations rely, to a great extent, on the Separate Account Managers' ability to successfully implement their investment strategy. In addition, we do not have the ability to supervise the Separate Account Managers on a day-to-day basis.

*Use of Private Collective Investment Vehicles:* We may recommend the investment by certain clients in privately placed collective investment vehicles. Risks of using these investments include the fact that the managers of these vehicles will have broad discretion in selecting the investments. There are few limitations on the types of securities or other financial instruments which may be traded and no requirement to diversify. The managers of these vehicles may trade on margin or otherwise leverage positions, thereby potentially increasing the risk to the vehicle. In addition, because the vehicles are not registered as investment companies, there is an absence of regulation. There are numerous other risks in



investing in these securities. The client will receive a private placement memorandum and/or other documents explaining such risks.

*General Risk of Loss:* Securities investments are not guaranteed and you may lose money on your investments. We ask that you work with us to help us understand your tolerance for risk.

#### **Performance-Based Fees and Side-By-Side Management**

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CFWP does not provide any services for a performance-based fee (i.e., a fee based on a share of capital gains or capital appreciation of a client's assets).

#### **Voting of Client Securities**

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As a matter of firm policy, we do not vote proxies on behalf of clients. Therefore, although our firm may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Clients are responsible for instructing each custodian of the assets, to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

We do not offer any consulting assistance regarding proxy issues to clients.

### **Item 7. Client Information Provided to Portfolio Managers**

Clients participating in the Program may grant CFWP the authority to discuss certain non-public information with the Separate Account Managers engaged to manage their accounts. Depending upon the specific arrangement, the Firm may be authorized to disclose various personal information including, without limitation: names, phone numbers, addresses, social security numbers, tax identification numbers and account numbers. CFWP may also share certain information related to its clients' financial positions and investment objectives in an effort to ensure that the Separate Account Managers' investment decisions remain aligned with its clients' best interests. This information is communicated on an initial and ongoing basis, or as otherwise necessary to the management of its clients' portfolios.

### **Item 8. Client Contact with Portfolio Managers**

There are no restrictions on clients' ability to contact and consult with CFWP. Clients can generally contact the Separate Account Managers managing their portfolios through CFWP by providing us with written request and identification of the questions or issues to be discussed with the Separate Account Managers. After receiving the client's written request, we will, at our sole discretion, contact the Separate

Account Managers for the client or arrange for the Separate Account Managers and the client to communicate directly.

## **Item 9. Additional Information**

### **Disciplinary Information**

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CFWP has not been involved in any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management.

### **Other Financial Industry Activities and Affiliations**

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#### *Broker Dealer*

CFWP expects to be an SEC registered broker-dealer and member of FINRA. We may receive a portion of any commissions generated by Financial Advisors in their individual capacity as registered representatives of other broker-dealers (as further discussed below). In addition, the principals and certain supervised persons of CFWP will also be registered representatives of CFWP. Any commissions received as part of the services provided under the Program will be part of the Fees described in this brochure.

#### *Registered Representative of Broker Dealer*

Certain of our Financial Advisors and other employees may be registered representatives of other broker-dealer firms.

In their separate capacities as registered representatives, these individuals can purchase and sell securities for advisory clients for separate and typical commissions or other compensation, and may also receive ongoing compensation in the form of 12b-1 fees from mutual funds purchased by clients.

Financial Advisors who are registered representatives will not receive commissions generated by securities transactions in Portfolio Management accounts, or in accounts managed by third party advisers. However, these persons may receive compensation for implementing recommendations in financial plans. This presents a conflict of interest to the extent that these individuals recommend that a client invest in a security which results in a commission being paid to the individuals. Clients are not under any obligation to engage these individuals when considering implementation of advisory recommendations. The implementation of any or all financial planning recommendations is solely at the discretion of the client. Any commissions received as part of the services provided under the Program will be part of the Fees described in this brochure.

#### *Insurance Agents and Brokers*

Certain of Financial Advisors and other employees may be agents and/or brokers for various insurance companies. As such, these individuals are able to receive separate, yet customary commission compensation resulting from implementing product transactions on behalf of advisory clients. This presents a conflict of interest to the extent that these individuals recommend that a client invest in a security which results in a commission being paid to the individuals. Clients, however, are not under any obligation to engage these individuals when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client.

### **Code of Ethics**

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Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees and supervised persons, including compliance with applicable federal securities laws.

Our firm and our personnel owe a duty of loyalty, fairness, and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Our code also provides for oversight, enforcement, and recordkeeping provisions.

Our Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to [tneff@cantor.com](mailto:tneff@cantor.com), or by calling us at (212) 915-1010.

Our Code of Ethics is designed to assure that the personal securities transactions, activities, and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts.

We may aggregate our employee trades with client transactions where possible and when compliant with our duty to seek best execution for our clients. In these instances, participating clients will receive an average share price and transaction costs will be shared equally and on a pro-rata basis. In the instances where there is a partial fill of a particular batched order, we will allocate all purchases pro-rata, with each account paying the average price. Our employee accounts will be included in the pro-rata allocation.

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm's Code of Ethics, to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

- No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
- No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
- Our firm requires prior approval for any IPO or private placement investments by related persons of the firm.
- We maintain a list of all reportable securities holdings for our firm and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or his/her designee.
- We have established procedures for the maintenance of all required books and records.
- All clients are fully informed that related persons may receive separate commission compensation when effecting transactions outside the Program.
- Clients can decline to implement any advice rendered, except in situations where our firm is granted discretionary authority.
- All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
- We require delivery and acknowledgement of the Code of Ethics by each supervised person of our firm.
- We have established policies requiring the reporting of Code of Ethics violations to our senior management.

Any individual who violates any of the above restrictions may be subject to disciplinary action or termination.

## Account Reviews and Statements

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### ***Portfolio Management***

*Reviews:* While the underlying securities within Portfolio Management accounts are continually monitored, these accounts are reviewed at least quarterly. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

These accounts are reviewed by the Financial Advisor in charge of the client's account. In addition, we periodically review each client account to ensure that assets are being managed in furtherance of that client's investment objectives and guidelines.

*Reports:* Clients will receive monthly statements from their broker-dealer. The client may negotiate with his or her Financial Advisor for additional reports.

In addition, the client will receive a quarterly report from the any appropriate TAMP showing the allocation of the assets in the account as well as the performance of the account during the previous quarter.

### ***Selection and Monitoring of Third-Party Separate Account Managers***

*Reviews:* Clients should refer to the Separate Account Manager's disclosure brochure for information regarding the nature and frequency of reviews provided by that Separate Account Manager.

We will review these accounts on a quarterly basis. These accounts are also reviewed by the Financial Advisor in charge of the client's account.

*Reports:* Clients will receive monthly statements from their broker-dealer. Clients should refer to the Separate Account Manager's disclosure brochure for information regarding the nature and frequency of reports provided by that Separate Account Manager.

We do not typically provide reports in addition to those provided by the Separate Account Manager selected to manage the client's assets.

## Client Referrals

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Our firm may pay referral fees to independent persons or firms ("Solicitors") for introducing clients to us. Whenever we pay a referral fee, we require the Solicitor to provide the prospective client with a copy of this disclosure brochure and a separate disclosure statement that includes the following information:

- the Solicitor's name and relationship with our firm;
- the fact that the Solicitor is being paid a referral fee;
- the amount of the fee; and

- whether the fee paid to us by the client will be increased above our normal fees in order to compensate the Solicitor.

As a matter of firm practice, the advisory fees paid to us by clients referred by solicitors are not increased as a result of any referral.

### **Other Compensation**

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Certain of our Financial Advisors may be eligible to receive incentive awards (including prizes such as trips or bonuses) for recommending certain types of insurance policies or other investment products that we recommend. While we endeavor at all times to put the interest of our clients first as part of our fiduciary duty, the possibility of receiving incentive awards creates a conflict of interest, and may affect the judgment of these individuals when making recommendations.

### **Receipt of Economic Benefit**

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We intend to recommend financial institutions for clients to utilize for investment management accounts. We generally recommend that clients utilize the brokerage and clearing services of Fidelity Institutional Wealth Services ("Fidelity") or Charles Schwab & Co., Inc. ("Schwab") for investment management accounts. Factors which we consider in recommending Fidelity, Schwab, and any other custodians, broker-dealers, banks or financial institutions ("Financial Institutions") to clients include their respective financial strength, reputation, execution, pricing, research and service.

We may receive from Fidelity and Schwab, without cost to us, computer software and related systems support, which allow us to better monitor client accounts maintained at the firms. We may receive the software and related support without cost because we render investment management services to clients that maintain assets at those firms. The software and support is not provided in connection with securities transactions of clients (i.e. not "soft dollars"). The software and related systems support may benefit us, but not our clients directly. In fulfilling our duties to our clients, we endeavor at all times to put the interests of our clients first.

Additionally, we may receive the following benefits from Fidelity and Schwab: educational conferences and events; technology, legal, compliance and business consulting; access to employee benefits providers, insurance providers and other consultants; receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services institutional participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information. Furthermore, Fidelity may pay third-party providers on our behalf for certain approved services (including research, technology, marketing and certain legal expenses) provided when certain investment adviser representatives join our firm.

The support provided by the Financial Institutions may benefit us, but not our clients directly. In fulfilling

our duties to our clients, we endeavor at all times to put the interests of our clients first. Clients should be aware, however, that our receipt of economic benefits from a Financial Institution creates a conflict of interest since these benefits may influence our choice of broker-dealer over another broker-dealer that does not furnish similar benefits.

**Financial Information**

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Not applicable.

