

ITEM 1 – COVER PAGE

Form ADV Part 2A

Cabot Wealth Management, Inc.

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978-745-9233

[www.ecabot.com](http://www.ecabot.com)

January 17, 2014

This Brochure provides information about the qualifications and business practices of Cabot Wealth Management, Inc. (CWMI). If you have any questions about the contents of this Brochure, please contact us at 978-745-9233. 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.

Cabot Wealth Management, Inc. is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information with which you determine to hire or retain an Adviser.

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

## **ITEM 2 – MATERIAL CHANGES**

Beginning in 2014, Cabot Wealth Management officially changed our name to Cabot Wealth Management in order to better reflect the scope of the services we offer.

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#### ITEM 4 – ADVISORY BUSINESS

Cabot Wealth Management Inc. (CWMI) was founded in 1983 by Robert Lutts. Mr. Lutts is 100% owner of the firm. CWMI is privately held. CWMI offers portfolio management to high-net-worth clients, endowments, non-profits and business clients. In addition to portfolio management, CWMI offers wealth management services, including estate plan reviews, tax planning and tax preparation and financial planning services. The scope of these financial planning services is based on the level of assets managed for each client. CWMI works with clients to structure an investment portfolio based on the needs of each individual. An assessment of risk tolerance, time frame and goals, along with other financial planning needs are considered when a portfolio allocation is recommended. Client portfolios may consist of a combination of individual stocks, individual bonds, mutual funds and exchange traded funds. From time to time, when appropriate, CWMI may recommend a third-party manager to a client as a complement to their portfolio. CWMI will continually monitor each portfolio and work with clients to continually evaluate the appropriateness of the strategy.

As an advisor, we provide the following services to our clients:

- work with clients to determine their risk profile and objectives
- use investment and portfolio allocation software to evaluate investment options
- review current investments and develop a plan to integrate them into an overall strategy
- develop a transition plan taking tax implication and market conditions into account
- monitor portfolio holdings daily and make allocation adjustments based on the investment policy agreed upon by the client and CWMI
- conduct regular portfolio review meetings

As of 12/31/2013, CWMI manages \$517,000,000 in discretionary assets. None of our accounts are considered non-discretionary.

#### ITEM 5 – FEES AND COMPENSATION

<b><u>Assets Managed:</u></b>	<b><u>Wealth Management</u></b>
Up to \$1,000,000	1.25%
\$1,000,000 - \$2,500,000	1.25%
\$2,500,000 - \$5,000,000	1.15%
\$5,000,000 - \$10,000,000	1.00%
\$10,000,000 or more	0.85%

*All fees are subject to negotiation.*

The specific manner in which fees are charged by CWMI is established in a client's written agreement with CWMI. CWMI will generally bill its fees on a quarterly basis. Clients will be billed in advance each calendar quarter. Clients may also elect to be billed directly for fees or to authorize CWMI to directly debit fees from client accounts. Management fees are based on the assets in the account as of the last business day of the previous quarter. Accounts initiated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

CWMI's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third-party investment and other third parties, such as fees charged by managers, custodial fees, 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. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus.

Such charges, fees and commissions are exclusive of and in addition to CWMI's fee and CWMI shall not receive any portion of these commissions, fees, and costs.

### **Managed Account Programs**

CWMI can research, select and monitor institutional caliber, independent, unaffiliated investment managers participating in the Charles Schwab & Co., Inc. (Schwab) Managed Account Select Program and the T.D. Ameritrade Managed Account Program. These programs are generally wrap fee programs in which the client pays a single fee for the advisory services of a Separate Account Manager, execution of most securities transactions, custody of account assets, program administration, and monthly account statements. The client pays a separate fee to CWMI for its services.

With the assistance of independent consulting firms, CWMI will perform a comprehensive review of the money managers in the program. Consulting firms may also provide performance evaluations and quantitative and qualitative analysis of all managers considered for participation in the program. CWMI also relies on this information when reviewing managers.

Based on a client's individual circumstances and needs, CWMI will determine which managers within the program will provide appropriate portfolio management for the client. Factors considered in making this determination include account size, risk tolerance, the opinion of each client and the investment philosophy of the Separate Account Manager. CWMI will provide the client with a copy of the disclosure document of each manager selected for the client containing a full description of the manager's services. CWMI will telephone or meet with the client on a regular basis, or as determined by the client, to review the account. If CWMI believes that a particular manager no longer meets the client's needs or is not performing adequately, then CWMI may move the client's account to a new manager with or without the client's prior consent depending on the particular program that the client is participating in.

When appropriate to the needs of the client, CWMI may recommend managers who use exotic trading strategies, margin transactions or option writing. Because these investment strategies involve certain additional degrees of risk, they will only be recommended when consistent with the client's stated tolerance for risk.

Clients will receive additional information about these programs from the disclosure brochure, Schedule H, provided by Schwab and T.D. Ameritrade and also from the disclosure documents of the selected advisor(s).

### **Managed Account Program Fees**

CWMI charges half of the normal wealth management fee schedule for separate account management. CWMI generally reserves the right to discount this fee on a case-by-case basis. The fee will be charged quarterly, in advance, based upon the total market value of the account at the start of the period. Fees may be paid directly from the client's account with the client's authorization or billed separately. The minimum account size required for acceptance in these programs is \$100,000.

Clients should be aware that there is an inherent conflict of interest for Cabot when recommending separate managed accounts *or* accounts managed by CWMI as a result of the increased revenue received from accounts managed in-house as opposed to management by outside firms. Cabot believes that it is important that it have the ability to control, customize and utilize its own methodologies. Therefore, Cabot generally recommends to clients that they utilize Cabot's in-house investment management services.

The custodian's wrap fee is deducted from the client accounts, in arrears, at the end of each month. Certain transaction costs may be incurred which are not included within the wrap fee. The types of transactions to which additional fees may apply are described in the custodian's Schedule H Brochure. In evaluating a wrap fee arrangement, a client should recognize that brokerage commissions for the execution of transactions in the client's account are not negotiated by CWMI. Transactions are generally effected "net," i.e., without commission, and a portion of the wrap fee is generally considered as being in lieu of commissions.

Trades are generally expected to be executed only with the broker-dealer with which the client has entered into the wrap arrangement, so that the Separate Account Manager may not be free to seek best price and execution by placing transactions with other broker-dealers. Accordingly, the client may wish to satisfy himself that the broker-dealer offering the wrap fee arrangement can provide adequate price and execution of most or all transactions. The client should also consider that, depending upon the level of the wrap fee charged by the broker-dealer, the amount of portfolio activity in the client's account, the value of custodial and other services which are provided under the arrangement, and other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately and if an adviser were free to negotiate commissions and seek best price and execution of transactions for the client's account.

Item 12 further describes the factors that CWMI considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

## **ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

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

## **ITEM 7 – TYPES OF CLIENTS**

CWMI provides portfolio management services to individuals, high net worth individuals, corporate pension and profit-sharing plans, charitable institutions, foundations, endowments, municipalities, private investment funds, trust programs, and other U.S. institutions.

CWMI requires a minimum of \$500,000 to open an account and receive wealth management services. CWMI requires a minimum of \$1,500,000 in assets under management to qualify for tax preparation services. CWMI reserves the right to waive the minimums or institute a tax preparation fee for complex tax returns.

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

CWMI manages both equity and fixed income portfolios. The equity strategies are comprised of both US and foreign stocks, mutual funds and exchange traded funds. Ownership of stocks offers material risk to investors. The portfolio management team at CWMI undertakes both technical and fundamental analysis in an attempt to fully understand the risks involved with owning each position. Stocks have the potential to fluctuate in price and certainly can lose money, regardless of the scope of the research involved prior to purchase.

### **Primary Risks**

All CWMI portfolios are subject to risks associated with the stock and bond markets. Stocks and bonds can move in different directions and in different degrees from time to time. As a result, any portfolio CWMI constructs for clients will be subject to the following risks:

- Stock Market risk: The chance that a stock's price will decline. Stock markets are cyclical and experience periods of rising and falling prices. CWMI portfolios may at any time be overweight or underweight in stock sectors that are rising or falling in price.
- Interest Rate risk: The chance bond prices will decline during times of rising interest rates.
- Income risk: The chance a bond portfolio's income will fall due to falling interest rates.
- Credit risk: The chance of a bond issuer defaulting on the bond or failing to pay interest in a timely manner.
- Country/regional risk: The chance that world events will have an impact on the securities issued by companies in foreign countries. CWMI portfolios may have significant exposure to

foreign securities. As a result, portfolios may be affected disproportionately by poor performance in foreign markets.

- Currency risk: The chance that the value of a foreign security measured in US dollars will decrease due to an unfavorable move in currency rates. Currency risk is a major risk factor in owning foreign emerging markets securities.

Overall, investing in securities involves risk of loss that clients should be prepared to bear. CWMI makes an effort to structure a clients' portfolio based on the goals, time frame and risk tolerance of each client. No means of diversification can entirely mitigate the potential for loss.

#### **ITEM 9 – DISCIPLINARY INFORMATION**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of CWMI or the integrity of CWMI's management. CWMI has no information applicable to this Item.

#### **ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

CWMI is an SEC registered investment advisor. No employee of CWMI is affiliated with any other financial services firm or broker-dealer.

#### **ITEM 11 – CODE OF ETHICS**

CWMI has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at CWMI must acknowledge the terms of the Code of Ethics annually, or as amended.

This Code of Ethics is available for review by contacting the Chief Compliance Officer or by sending a written request to Cabot Wealth Management, Inc., 216 Essex Street, Salem, MA 01970. The Code of Ethics restricts certain gifts and entertainment that is related to client accounts and vendors. It also establishes stringent confidentiality requirements.

This Code also establishes that employees may not trade on the same day that the firm is executing a block trade. A block trade is defined as a trade involving more than 5,000 shares or five separate clients. All employees must pre-clear equity, bond and closed-end mutual fund transactions prior to effectuating the transactions to insure compliance with this policy. Employees may buy or sell securities not recommended for client portfolios but these trades must be pre-cleared. It is possible, however, that a trade is approved for an employee-directed trade and, thereafter, new client accounts are positioned in the same securities. In these instances, CWMI will review the trade and determine if any of the clients' interests were harmed.



It is the expressed policy of CWMI that no person employed by CWMI or their relatives may purchase or sell any security prior to a transaction(s) being implemented for an advisory account thereby preventing said employees from benefiting from transactions placed on behalf of advisory accounts (so-called "front-running"). CWMI or any related person(s) may have an interest or position in a certain security(s), which may also be recommended to a client. In instances where an inadvertent purchase may be made, the Designated Officer and the Chief Compliance Officer investigate it and will document their findings in a memorandum and the annual review.

An employee of CWMI (or relative thereof) shall not buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry. No employee of CWMI shall prefer his or her own interest to that of the advisory client.

Employees who are active in these transactions must also furnish monthly reports to be reviewed by a designated officer. All employees are required to submit an annual and quarterly statement regarding their individual investment activities and whether they are active in these transactions. Violations of these policies may result in fines or termination of employment. A designated officer reviews all account statements and the trade blotter on a monthly basis. CWMI requires compliance with this policy for all employees.

CWMI does not allow after-hours trading using the Internet or any other means outside of normal trading hours (9:30 am - 4:00 pm EST) as pre-approved transactions "expire" at the close of the market.

CWMI also prohibits short transactions in markets or individual securities. It does allow employees to own a fund or ETF that has an inverse market strategy so long as it is a small percentage of the employee's total strategy. CWMI also strongly discourages any short-term trading.

CWMI requires that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices. In addition, CWMI prohibits employees from receiving gifts that may affect the advice that they provide to clients. CWMI also prohibits service on the board of publicly-traded companies or outside employment without prior approval of the management team.

## **ITEM 12 - BROKERAGE PRACTICES**

For discretionary clients, CWMI requires that it be provided with written authority to determine which securities are bought or sold and the amounts thereof, the discretionary authority to select the broker or dealer and the commission rates paid. In this written authority statement, all limitations on the discretionary authority, if any, shall be defined. Clients may retain the right to vote securities, can withdraw securities and/or cash at any time, and may impose restrictions on the purchase and/or sale of securities, industries, sectors, and asset classes.

Many clients, when undertaking an advisory relationship, already have their own brokers or wish to participate in a "wrap fee program" and they will instruct CWMI in writing to execute all transactions through the same. In the event that a client directs CWMI to use a particular broker or dealer, it should be understood that, under those circumstances, commissions would not be negotiated and volume discounts or best execution may not be achieved. In addition, under these circumstances a disparity in commission charges may exist between the commissions charged to

other clients. CWMI can provide guidance as to the value of transaction execution services. The client should evaluate the benefit of any ancillary services provided by the broker-dealer such as reporting, custodial services, account servicing, and additional research and analysis provided when considering the total cost of any WRAP program. The client's assessment of the value of these ancillary services plus the value of trade execution should be weighed against the stated WRAP fee charges.

Where clients have provided the firm full brokerage discretion, CWMI will endeavor to select those brokers or dealers who will provide the best execution. The reasonableness of commissions and best execution is based on the broker's ability to provide professional services, competitive commission rates, research and other services, which will help CWMI in providing investment management services to clients.

CWMI may, therefore, recommend the use of a broker who provides useful research and securities transaction services even though a lower commission may be charged by a broker who offers no such research services and minimal securities transaction assistance. Research services may be useful in servicing all our clients, and not all of such research may be useful for the account for which the particular transaction was effected.

Generally, however, CWMI may suggest, and clients are strongly encouraged to use, Charles Schwab and TD Ameritrade for brokerage and/or custodial services provided CWMI can meet its fiduciary obligation of best execution. CWMI is not affiliated with any of these broker-dealers. This recommendation is based upon CWMI's experience with these firms and on the value of the services and/or research provided to CWMI by these firms.

From time to time, the custodians used by CWMI may offer CWMI services intended to help CWMI manage and further develop our business, including access to industry conferences and professionals. The custodians may discount or waive the fees associated with any services rendered to CWMI. Access to events that could aid in the development of new business or stronger client relationships may also be offered by the custodians at a discounted cost. In evaluating whether to recommend or require that clients custody their assets with Charles Schwab or TD Ameritrade, CWMI may take into account the availability of some of the foregoing products or services and other arrangements as part of the total mix of factors and not solely on the nature, cost or quality of custody and brokerage services provided. This may create a potential conflict of interest.

CWMI will engage in "block trading" where possible and when advantageous to clients. Regarding aggregated "block trades" CWMI has the following operating policies: That no advisory account will be favored over any other account participating in the aggregated order. All clients participating in the aggregated order shall receive an average share price with all other transaction costs shared based on their participation in the trade.

1.) CWMI will not aggregate transactions unless it believes that aggregation is consistent with its duty to seek best execution (which includes the duty to seek best price) for its clients and is consistent with the terms of CWMI's Investment Advisory Agreement with each client for which trades are being aggregated.

2.) If the aggregated order is filled in its entirety, all clients participating in the order shall receive an average share price with all other transaction costs shared based on their participation in the

trade; if the order is partially filled, it will be randomly allocated using a report designed to allocate partially filled trade orders. This report randomly selects the people to whom the shares purchased/sold are applied. All clients who are selected by this report are filled in total; however, in some instances one or more clients may be partially filled. This is because the amount of shares left to allocate is less than the shares being purchase/sold for the client.

3.) Notwithstanding the foregoing, the order may be allocated other than specified above, if all client accounts receive fair and equitable treatment and the reason for the different allocation is explained in writing and is approved by a portfolio manager. In Pro-rate allocations the portfolio supervisor may recommend that each client be allocated a percentage of the trade that was completed. In this instance, attention will be provided to assure that multiple transaction costs do not outweigh the benefit of a pro-rata allocation. If positions are being sold due to a loss, if the order is not completed, a portfolio supervisor may indicate that clients with the greatest percentage loss be given priority.

4.) CWMI's books and records will separately reflect, for each aggregated transaction, the client's account, the position which is aggregated, and the shares allocated to that account.

5.) CWMI will receive no additional compensation or remuneration of any kind.

6.) Individual investment advice and treatment will be accorded to each advisory client.

CWMI has procedures and mechanisms in place that are reasonably designed to implement the aggregation policies.

In some instances a security may be sold in one client's account and purchased in another client's account. This may occur for any number of reasons including their having different objectives, needs or due to operation need – for example to satisfy a cash request from the client. In allocating investment opportunities, CWMI will use its best judgment and take into account client objectives, client funds available and other relevant factors in determining who should participate. CWMI will use a good faith standard to determine solutions to allocations in a fair and equitable manner.

CWMI may direct trades through Electronic Communication Networks (ECNs) and/or broker-dealers not acting as custodian for the client through "Prime Brokerage Services". CWMI's trading staff may trade through prime brokerage services in an attempt to achieve better execution of client trades and/or to acknowledge the research and/or trading efforts of a broker-dealer.

In effecting trades through these networks and broker-dealers, CWMI may generate soft dollar credits. The SEC "safe-harbor" requires that soft-dollar credits generated in the course of trading on behalf of clients be used exclusively for resources that will benefit clients and/or the decision-making process. This is because the soft-dollar credits are, effectively, the property of the clients whose commission expenses generated the credits.

These credits can usually be applied to the cost of trading terminals, research terminals, and research bulletins and reports. These terminals are used exclusively for portfolio management, research, and trading.

The level of these services and soft-dollar credits is related to the volume of transactions directed

through the ECN and/or broker-dealer. CWMI allocates these credits to the cost of electronic trading terminals, research terminals, and for other research reports and/or communiqués.

Brokers that pay for these services and products with soft dollar credits anticipate a minimum commission amount from the client trades to be paid during the year. CWMI believes that any minimum anticipated commission amounts can be met in the course of normal business. The firm will not put these trading volume requirements above its duty to achieve best execution for its clients.

The benefits that accrue to analysts and portfolio managers from these soft dollar expenditures will likely benefit all clients including those whose accounts did not help generate any soft dollar credits either because they do not trade in investments that generate soft dollar credits, they are prohibited from using prime brokerage services because their account is below the required minimum (see below) and/or the account is traded through a broker specified (directed) by the client.

Cabot Wealth Management, Inc. will attempt to provide Best Execution for those clients who have signed a prime brokerage form and meet the requisite minimums for their respective custodians via its discretionary authority to select the broker dealer to be used and the commission rates to be paid. At present, these per account minimums are as follows: \$100,000 for Charles Schwab and \$125,000 for TD Ameritrade. These minimums are subject to change and we take no ongoing responsibility for notifying clients when there is a change of status or one custodian may provide access that another might not. For accounts that do not meet these minimums, or have not completed a prime brokerage form, you should be aware that CWMI will not have the discretionary authority to select the broker dealer to be used (your account will be traded solely at Schwab or Ameritrade, as applicable) and the commission rates to be paid, and as a result it should be understood that CWMI will not have authority to negotiate commissions or obtain volume discounts, and best execution may not be achieved.

Cabot normally trades client accounts in the following order:

1. Prime brokerage accounts custodied at Schwab where trading is executed through multiple approved brokers.
2. Non-prime brokerage accounts custodied at Schwab.
3. Prime brokerage and directed brokerage accounts at TD Ameritrade. Due to the fact that the reconciliation of prime brokerage trades at TD Ameritrade is problematic, the prime brokerage arrangement is rarely utilized at TD Ameritrade.
4. CWMI has several accounts in which it arranges transactions through a registered representative at Morgan Stanley that has referred clients to CWMI through the Morgan Stanley Vision wrap-fee program.

It is important to recognize that differences may exist in the actual fee structures of each custodian. These differences may or may not impact your account depending on the investment strategy. We recommend that each client review how these fees may impact their own account and their choice of custodian.

Although CWMI does not consider any of its strategies to utilized high-frequency trading, CWMI may trade accounts on a frequent basis, resulting in increased total commission amounts paid by clients. While CWMI strives to achieve best execution on all client transactions, clients should understand that such commission costs may have a significant effect on a client's account performance.

### **ITEM 13 – REVIEW OF ACCOUNTS**

CWMI provides investment management and offers to provide financial planning services to a select group of its clients. CWMI has made every attempt to disclose all known material conflicts of interest in this document, which relate to CWMI or any of its employees, which could cause the rendering of unbiased and objective advice. While CWMI maintains that it is a wealth manager, it is important to note that this term is not all inclusive. CWMI does not maintain that it will be responsible for consistently updating all aspects of a client's financial situation. The client is responsible for updating CWMI should their situation change or should they wish to receive a review of certain financial planning topics. While CWMI may have ancillary discussions that include insurance, CWMI does not provide insurance nor does CWMI recommend insurance products. CWMI may recommend an investment allocation consisting of CWMI portfolios or 3<sup>rd</sup> party investment vehicles. Clients should be aware that there may be an inherent conflict of interest given that CWMI may receive a greater level of compensation from CWMI portfolios than from 3<sup>rd</sup> party investment vehicles.

CWMI offers to provide investment management services to individuals, businesses, partnerships, pension and profit sharing and other entities. CWMI offers to provide these services based on the understood needs of its clients as communicated to CWMI at the start of the relationship and during on-going discussions. CWMI may adjust its overall strategy based on client discussions or general economic conditions that may warrant a change in the overall strategy. CWMI strives to provide a high level of service. Client portfolio reviews are conducted by the Financial Counselor assigned to each client. The portfolio management team is responsible for the day-to-day monitoring of the positions in the clients' portfolios. Portfolio reviews are typically conducted on a quarterly basis or when the client has a material change in their financial situation or their goals. For those clients who have signed an advisory agreement, CWMI offers to provide to select clients advice on a variety though non-inclusive financial planning topics. CWMI will determine which services are appropriate based on discussions with the client and clients must notify CWMI of their intention to utilize these services on an ongoing basis by contacting their consultant regularly. CWMI will offer to communicate its findings through oral communications, written letters, schedules or emails. For clients who receive financial planning or wealth management services, it is important to note that because CWMI manages assets directly, a conflict of interest may exist in the recommendation with regard to how to implement any recommended asset allocation. Furthermore, material conflicts of interest may arise from CWMI acting as a financial planner, investment manager and tax preparer for the same client.

CWMI also offers to provide tax preparation services to a limited clientele. These services may require a separate fee and may include the preparation of individual and corporate federal and state returns. CWMI may also prepare additional filing and estate tax returns on an as-needed basis.

#### **ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

CWMI maintains a network of financial professionals, and from time to time these professionals refer their clients to CWMI for wealth management services. In no way does CWMI compensate either directly or indirectly these firms for their referrals. CWMI was at one time engaged in solicitation relationships with Charles Schwab and TD Ameritrade. Under these agreements, CWMI paid a portion of the management fees collected back to the custodians making the referral. CWMI is no longer part of these referral networks. CWMI does, however, continue to compensate the custodians for any new client relationships that are governed by the former solicitation agreement. CWMI will also refer our clients to other financial professionals when necessary (i.e., attorneys, insurance agents). CWMI does not accept any compensation from these firms for the referral of clients.

#### **ITEM 15 – CUSTODY**

CWMI uses independent custodians (Charles Schwab, TD Ameritrade) to hold all clients' assets. As part of the account set-up process, clients may give CWMI the ability to deduct quarterly fees directly from client accounts. CWMI is also given the authority to trade in client portfolios based on a predetermined portfolio objective or strategy.

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. CWMI urges you to carefully review such statements and contact your CWMI Financial Counselor if you see any discrepancies. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

#### **ITEM 16 – INVESTMENT DISCRETION**

CWMI usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, CWMI observes the investment policies, limitations and restrictions of the clients for which it advises. From time to time, clients will instruct CWMI to restrict certain positions from trading. When restrictions are added to the portfolio, the restricted positions are kept out of any trading until the restriction is removed. Investment guidelines and restrictions must be provided to CWMI in writing.

## **ITEM 17 – VOTING CLIENT SECURITIES**

### **PROXY VOTING GUIDELINES**

In the absence of specific voting guidelines from the client, Cabot will vote proxies in the best interest of the clients. Cabot Wealth Management, Inc.'s policy is to vote all proxies from a specific issuer the same way for each client, absent qualifying restrictions. Cabot will generally vote in favor of routine corporate proposals. Cabot will generally vote against proposals that would cause board members to become entrenched or cause unequal voting rights. In reviewing proposals, Cabot will further consider the opinion of management and the effect on management, and the effect of shareholder value and the issuer's business practice. Since Cabot may invest client assets in holdings listed on a foreign exchange, it is possible that Cabot will not receive proxy information until after a deadline to vote the proxy.

Robert Lutts is responsible for voting proxy statements.

To receive a complete copy of Cabot's Proxy Voting Policies and Procedures, please contact Robert Lutts at Cabot Wealth Management, Inc., 216 Essex Street, Salem, MA 01970, (978) 745-9233. CWMI maintains copies of client proxies and records how they were voted. Clients may obtain information on how their proxies were voted on request. Clients who would like to vote their own proxies should contact CWMI.

## **ITEM 18 – FINANCIAL INFORMATION**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about CWMI's financial condition. CWMI has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.