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## Financial Management Associates, LLC

### **Form ADV Part 2A – Firm Brochure**

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Dated March 1, 2014

This brochure provides information about the qualifications and business practices of Financial Management Associates, LLC. If you have any questions about the contents of this brochure, please contact us at 781-934-7880. 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 Financial Management Associates, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Financial Management Associates, LLC is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

CRD: 109531

## Item 2: Material Changes

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There have been no material changes since our last annual update, dated March 5, 2013.

# Item 3: Table of Contents

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# Item 4: Advisory Business

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## **Description of Advisory Firm**

The U.S. Securities and Exchange Commission granted Financial Management Associates, LLC's registration on November 1, 2000. James M. Morris (CRD Number 705495) is member of the firm and a fifty percent (50%) equity owner. Alan P. Kenney (CRD Number 2017410) is also a member of the firm, and is a fifty percent (50%) equity owner and is the firm's Chief Compliance Officer. The firm is not publicly owned or traded. There are no indirect owners of the firm or intermediaries, which have any ownership interest in the firm. As of December 31, 2013, the firm managed, on a discretionary basis, \$187,931,265 which represented 952 accounts and on a nondiscretionary basis managed \$1,055,358 which represented 2 accounts.

## **Types of Advisory Services**

Before any investment recommendations are made to an advisory client, a comprehensive fact-finding session(s) is/are held at which time all aspects of the client's financial situation is discussed and reviewed. This allows us to have a complete understanding of such factors as the goals of the client, the needs of the client, the objectives of the client, the risk tolerance level of the client, the time horizon of the client and the like.

Mr. Morris invests his clients' assets in no-load or load-waived, institutional class shares of mutual funds. Based upon a fundamental application of this data, mutual fund share classes are then recommended.

Financial Management Associates, LLC offers various planning and consultative services on a variety of financial areas and subjects including but not limited to:

- Portfolio construction and management, and general financial planning
- Insurance, retirement, and estate planning asset allocation recommendations
- General non-securities advice on topics which may include tax planning, budgetary planning, business planning, and/or fringe benefit analysis.

Financial Management Associates, LLC operates through two separate divisions, the J.M. Morris Capital Management Division and the A.P. Kenney Capital Management Division. Asset management services are provided.

## **Wrap Fee Programs**

We do not offer wrap fee programs.

# Item 5: Fees and Compensation

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How we are paid depends on the type of advisory service we are performing. Please review the fee and compensation information below.

## Standard Advisory Fee

Our standard advisory fee is based on the market value of the assets under management and is calculated as follows:

Account Size	Annual Advisory Fee
\$0-\$500,000	1.25%
\$500,001-\$3,000,000	1.00%
\$3,000,001 - \$5,000,000	0.80%
\$5,000,0001 - \$10,000,000	0.75%

The annual account fee is payable quarterly in advance and is computed as one-quarter of the annual fee, based on the account assets on the last business day of the previous quarter unless the A.P. Kenney Capital Management division is billing, in which case the fee shall be payable semiannually in arrears. All unearned or unapplied fees shall be refunded. All deposits and withdrawals for the A.P. Kenney Capital Management Division of \$50,000 or more shall be prorated for that semiannual billing period. Billing will be at June 30 and December 31 each year. In addition, there is a one-time non-refundable administrative fee of \$300 charged to cover time spent at the initial meeting and to also cover additional administrative costs. This fee may on occasion be waived. Financial Management Associates, LLC may reduce management fees depending on the type of investments managed. Clients who receive advice about mutual funds are always advised that they will, in effect, be paying two levels of fees, i.e., a fee to the applicant and a fee to the fund manager.

## Refund and Termination Procedures

The professional relationship may be terminated by applicant or client at will. The applicant (on a prorated basis) shall refund all unapplied fees. Applicant will also impose a service charge of one percent (1%) per month on all outstanding fees which have not been paid by the sixtieth (60th) day following submission of original billing.

## Planning and Consulting Fees

Associated Persons of Financial Management Associates, LLC provide financial planning and non-securities advice consistent with the client's financial and tax status, age, risk tolerance and investment objectives. Advice on topics including tax planning, estate planning, business planning, retirement planning, education planning budgeting and cash flow is also available. A fee of between \$50-\$175/hr. is imposed depending on who is providing the advice. (\$50/hr. for administrative, \$150/hr. for professional time, \$175/hr. for principal's time). In addition, a flat fixed fee may be negotiated for certain financial planning services.

In the event that there is any conflict of interest which may arise, it is the formalized policy of the firm to immediately advise the client of such conflict of interest and to always place the interests of the client ahead of the interests of the firm and its associated persons.

### **Other Types of Fees and Expenses**

Our 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, and other third parties such as 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 fund 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 our fee, and we shall not receive any portion of these commissions, fees, and costs.

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

## **Item 6: Performance-Based Fees and Side-By-Side Management**

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We do not offer performance-based fees.

## **Item 7: Types of Clients**

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Financial Management Associates, LLC provides services to individuals, pension plans, profit sharing plans, trusts, estates, charitable organizations, corporations and other business entities. Financial Management Associates, LLC does not have any minimum account size requirements.

# Item 8: Methods of Analysis, Investment Strategies and Risk of Loss

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Our primary methods of investment analysis is fundamental analysis and technical analysis.

**Fundamental analysis** involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience, and expertise of the company's management, and the outlook for the company's industry. The resulting data is used to measure the true value of the company's stock compared to the current market value. The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.

**Technical analysis** involves studying past price patterns and trends in the financial markets to predict the direction of both the overall market and specific stocks. The risk of investing based on technical analysis is that the analysis may not accurately predict future price movements. Current prices of securities may reflect all information known about the security and day to day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

## Material Risks Involved

**All investing strategies we offer involve risk and may result in a loss of your original investment which you should be prepared to bear.** Many of these risks apply equally to stocks, bonds, commodities and any other investment or security. Material risks associated with our investment strategies are listed below.

**Market Risk:** Market risk involves the possibility that an investment's current market value will fall because of a general market decline, reducing the value of the investment regardless of the operational success of the issuer's operations or its financial condition.

**Strategy Risk:** The Adviser's investment strategies and/or investment techniques may not work as intended.

**Small and Medium Cap Company Risk:** Securities of companies with small and medium market capitalizations are often more volatile and less liquid than investments in larger companies. Small and medium cap companies may face a greater risk of business failure, which could increase the volatility of the client's portfolio.

**Turnover Risk:** At times, the strategy may have a portfolio turnover rate that is higher than other strategies. A high portfolio turnover would result in correspondingly greater brokerage

commission expenses and may result in the distribution of additional capital gains for tax purposes. These factors may negatively affect the account's performance.

**Limited markets:** Certain securities may be less liquid (harder to sell or buy) and their prices may at times be more volatile than at other times. Under certain market conditions we may be unable to sell or liquidate investments at prices we consider reasonable or favorable, or find buyers at any price.

**Concentration Risk:** Certain investment strategies focus on particular asset-classes, industries, sectors or types of investment. From time to time these strategies may be subject to greater risks of adverse developments in such areas of focus than a strategy that is more broadly diversified across a wider variety of investments.

**Interest Rate Risk:** Bond (fixed income) prices generally fall when interest rates rise, and the value may fall below par value or the principal investment. The opposite is also generally true: bond prices generally rise when interest rates fall. In general, fixed income securities with longer maturities are more sensitive to these price changes. Most other investments are also sensitive to the level and direction of interest rates.

**Legal or Legislative Risk:** Legislative changes or Court rulings may impact the value of investments, or the securities' claim on the issuer's assets and finances.

**Inflation:** Inflation may erode the buying-power of your investment portfolio, even if the dollar value of your investments remains the same.

### **Risks Associated with Securities**

Apart from the general risks outlined above which apply to all types of investments, specific securities may have other risks.

**Mutual Funds and Exchange Traded Funds (ETF)** are professionally managed collective securities that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds and ETFs generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, invests primarily in small cap or speculative companies, uses leverage (i.e. borrows money) to a significant degree, or concentrates in a particular type of security (i.e., Equities) rather than balancing the fund with different types of securities. ETFs differ from mutual funds since they can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. The returns on mutual funds and ETFs can be reduced by the costs associated with managing the funds. Also, while some mutual funds are "no load" and charge no fee to buy into, or sell out of the fund, other types of mutual funds do charge such fees which can also reduce returns. Mutual funds can



also be “closed end” or “open end”, with the later allowing new investors indefinitely which can dilute other investors’ interest. Additionally, certain ETFs may not track underlying benchmarks as expected.

## Item 9: Disciplinary Information

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Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Financial Management Associates, LLC or the integrity of our management. We have no information applicable to this Item.

## Item 10: Other Financial Industry Activities and Affiliations

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The following responses apply to both divisions of the firm.

The primary business of Financial Management Associates, LLC is providing investment advisory services to clients. Messrs. Morris and Lague have obtained securities licenses and are Registered Representatives and Advisory Representatives of Commonwealth Equity Services, Inc., a FINRA-registered broker/dealer and SEC-Registered investment adviser. Commonwealth Equity Services, Inc. has adopted the “doing business as” name of Commonwealth Financial Network.

Please be advised that the firm’s legal name will remain Commonwealth Equity Services, Inc. (hereinafter referred to as “Commonwealth”). James M. Morris spends approximately 1% of his time offering securities and products on a commission or fee basis with Commonwealth. Mr. Morris is also a licensed insurance agent and offers various insurance products for he will be paid a commission. James M. Morris spends approximately 1% of his time offering insurance products. The remainder of the time is spent acting in the capacity of an Advisory Representative and Principal of Financial Management Associates, LLC. James M. Morris also teaches Tai Chi Chuan, Baguazhang and Modern Arnis.

Ronald A. Lague is a Registered Representative and Advisory Representative of Commonwealth Financial Network, an SEC investment adviser and registered Broker/Dealer, member FINRA and SIPC. Ronald Lague is licensed to offer securities and products on a commission or fee basis with Commonwealth, but nonetheless, spends little if any time in this area of professional activity. Moreover, Mr. Lague is an investment adviser representative with Financial Management Associates, LLC but again, spends little if any time in this area of professional activity. Ronald A. Lague spends the majority of his professional time handling the activities of a certified public

accountant, as President and General Administrative Partner of Lague & Company, P.C., and is also engaged in the activities of advising clients on business exit planning and mergers and acquisitions.

Alan P. Kenney is an Advisory Representative and Principal of Financial Management Associates, LLC, and an SEC Registered Investment Advisor. Alan P. Kenney spends approximately 90% of his time in the capacity of an Advisory Representative for Financial Management Associates, LLC and 10% of his time engaged in the activities of a certified public accountant.

James M. Morris and Ronald A. Lague are Registered Representatives and Advisory Representatives of Commonwealth. Clients are under no obligation to purchase or sell securities through associated persons. However, if they choose to implement the plan with adviser, commissions may be earned in addition to any fees paid for advisory services. Commissions may be higher or lower at Commonwealth than at other broker/dealers. Associated persons may have a conflict of interest in having clients purchase securities and/or insurance related products through Commonwealth in that the higher their production with Commonwealth the greater potential for obtaining a higher pay-out on commissions earned. Further, associated persons may be restricted to only offering those products and services that have been reviewed and approved for offering to the public through Commonwealth. Commonwealth is a FINRA registered Broker/Dealer, and is also licensed as a broker/dealer with the states in which Commonwealth or its representatives offer securities to clients.

Commonwealth's Registered Representatives may act as the advisory client's representative in the execution of securities transactions on a normal and customary basis. The applicable provisions of Section 206 of the Investment Advisers Act of 1940 are strictly complied within the execution of each transaction.

Associated persons, in their dual capacity, may offer clients the services of Commonwealth, an investment advisory firm registered with the U.S. Securities and Exchange Commission. Associated persons, in their dual capacity, may offer the services of various Third-Party investment advisers through the association with Commonwealth. In return, Advisory representatives may share in a portion of the Third Party Adviser's advisory fee. Clients shall receive the Third Party Adviser's Form ADV Part 2 or disclosure is made to the client via Commonwealth's Form ADV Part 2.

Associated persons, in their dual capacity, may offer Commonwealth's Custom Account program to suitable clients. Clients shall receive Commonwealth's Form ADV Part 2 which fully describes the operation of and fees associated with the Custom Account program. Associated persons, in their dual capacity, may offer Commonwealth's PPS Direct Account program to suitable clients.

Clients shall receive Commonwealth's Form ADV Part 2, which fully describes the operation of, and fees associated with the PPS Direct Account program.

James M. Morris is licensed with various insurance companies as life, health and accident insurance broker with all the appropriate state Departments of Insurance, and may receive customary commissions on insurance products sold. In such instances, there is no advisory fee associated with these insurance products.

Alan P. Kenney is a general partner of a real estate partnership, in which the other general partners are clients of the A.P. Kenney Capital Management Division of Financial Management Associates, LLC. The partnership is comprised of personal friends, and there is no direct solicitation for the clients to invest.

Nobody in the firm is registered or has an application pending to register as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

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

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Advisor has a fiduciary duty to Client to act in the best interest of the Client and always place the Client's interests first and foremost. Advisor takes seriously its compliance and regulatory obligations and requires all staff to comply with such rules and regulations as well as Advisor's policies and procedures. Further, Advisor strives to handle Client's non-public information in such a way to protect information from falling into hands that have no business reason to know such information and provides Client with Advisor's Privacy Policy. As such, Advisor maintains a Code of Ethics for its associated persons, supervised persons and staff. The Code of Ethics contains provisions for standards of business conduct in order to comply with applicable securities laws, personal securities reporting requirements, pre-approval procedures for certain transactions, code violations reporting requirements, and safeguarding of material non-public information about Client transactions. Further, Advisor's Code of Ethics establishes Advisor's expectation for business conduct. A copy of the Code of Ethics will be provided to any Client or prospective Client upon request.

Associated persons may buy or sell securities identical to those securities recommended to clients. Therefore, associated persons may have an interest or position in certain securities that are also recommended and bought or sold to clients. Any such securities transactions are likely

to be insignificant in relation to the market as a whole. As a practice the transactions, if any, are executed after related client transactions have been executed. Associated persons will not put their interests before a client's interest and may not trade in such a way as to obtain a better price for themselves than for their clients.

Associated persons may not trade ahead of their clients or trade in such a way as to obtain a better price for themselves than their clients. However, in all cases full disclosure is provided to the client. Advisor is required to maintain a list of all securities holdings for its associated persons. Further, associated persons are prohibited from trading on non-public information or sharing such information. Clients have the right to decline any investment recommendation.

Advisor and its associated persons are required to conduct their securities and investment advisory business in accordance with all applicable Federal and State securities regulations.

## Item 12: Brokerage Practices

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### **Factors Used to Select Custodians and/or Broker/Dealers**

The following responses apply to both divisions of the firm.

Messrs. Morris and Lague are Registered Representatives with Commonwealth and as such must execute securities transactions through Commonwealth unless they each respectively obtain authorization from Commonwealth to execute securities transactions through another broker/dealer. In such instances, Messrs. Morris and /or Lague shall receive normal and customary commissions for such transactions. The possible receipt of said commissions and the possibility of any conflict of interest are fully disclosed in advance.

Messrs. Morris and Lague are Registered Representatives of Commonwealth Financial Network, a registered broker/dealer, member FINRA and SIPC. They may have limited access to certain product sponsors where selling agreements have been executed by Commonwealth.

Messrs. Morris and Lague, as a result of both being registered representatives of a broker/dealer, are subject to FINRA Conduct Rule 3040 which has the effect of restricting such registered individuals from conducting securities transactions away from Commonwealth unless Commonwealth provides the Representative with written authorization. Therefore, Clients are advised that Messrs. Morris and Lague are limited to conducting securities transactions through Commonwealth and its clearing firm, National Financial Services Corporation.

Messrs. Morris and Lague suggest that financial planning clients use Commonwealth as the Broker/Dealer for executing securities transactions. Clients are not obligated to use Commonwealth as the Broker/Dealer, and are free to use the Broker/Dealer of their choice.

However, if the financial planning client wishes to implement the plan or advice through the either Mr. Morris or Mr. Lague, then the Client would then only use Commonwealth to do so.

The products and services offered by Advisor are described in this narrative brochure. Research is conducted by the means described herein and if there is a separate fee for this research, it is stipulated herein. Client transactions will be charged according to Commonwealth's then-current commission schedule and clients may pay higher commission rates and other fees than otherwise available. The client may be assessed transaction fees charged by custodians and/or product sponsors, in addition to normal and customary commissions, all of which are fully disclosed to the client. These fees and expenses are separate and distinct from any financial planning fees charged by the associated persons of James M. Morris and Ronald A. Lague.

Associated persons who are also Registered Representatives of Commonwealth will receive trail commissions (i.e. 12b-1 fees). Load and no-load mutual funds pay annual distribution charges, sometimes referred to as 12b-1 fees. 12b-1 fees come from fund assets, therefore, indirectly from client assets. 12b-1 fees may be initially paid to Commonwealth and a portion passed to the associated persons. The receipt of such fees could represent an incentive for associated persons to recommend funds with 12b-1 fees over funds that have no fees or lower fees. As a result, there is a potential conflict of interest. In addition, Advisor may receive a portion of the management and administrative fees charged to clients by Third-Party Managers. In such cases, the Client shall be informed that the Associated Person is receiving such revenue in addition to any other financial fees paid by the Client. Associated persons will not offset any financial planning fees by the amount of 12b-1 fees received, however 12b-1 fees will be credited back to all retirement accounts.

Advisor and/or associated persons may receive benefits such as assistance with conferences and educational meetings from product sponsors. Alan P. Kenney recommends that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Financial Management Associates (Advisor) is independently owned and operated and not affiliated with Schwab. Schwab provides Advisor with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets is maintained in accounts at Schwab Institutional and is not otherwise contingent upon Advisor committing to Schwab any specific amount of business (assets in custody or trading). Schwab's services include brokerage, custody, research and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment. For

Advisor's clients' accounts maintained in its custody, Schwab generally does not charge separately for custody but is compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Alan P. Kenney suggests that clients use Schwab Institutional as the broker/dealer for executing securities transactions. Clients are not obligated to use Schwab Institutional as the qualified custodial firm, and are free to use any custodian or broker/dealer of their choice.

Schwab also makes available to Advisor other products and services that benefit the Advisor but may not benefit its clients' accounts. Some of these other products and services assist the Advisor in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements); facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts); provide research, pricing information and other market data; facilitate payment of Advisor's fees from its clients' accounts; and assist with back-office functions, record keeping and client reporting. Many of these services generally may be used to service all or a substantial number of Advisor's accounts, including accounts not maintained at Schwab Institutional. Schwab Institutional also makes available to Advisor other services intended to help Advisor manage and further develop its business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing. In addition, Schwab may make available, arrange and/or pay for these types of services rendered to the Advisor by independent third parties. Schwab Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third party providing these services to the Advisor. While as a fiduciary, the Advisor endeavors to act in its clients' best interests, and the Advisor's recommendation that clients maintain their assets in accounts at Schwab may be based in part on the benefit to the Advisor of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

### **1. Research and Other Soft-Dollar Benefits**

We do not receive benefits from broker/dealers that are often referred to in the industry as soft dollar benefits. When a firm uses client brokerage commissions to obtain these benefits, it is receiving an added benefit in that it does not need to produce or pay for the benefits that it receives. This leads an Adviser to have an incentive to select or recommend a broker-dealer based on our interest in receiving those benefits, rather than on our client's receiving most favorable execution.

We currently do not receive soft dollar benefits.

## **2. Brokerage for Client Referrals**

We receive no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

## **3. Clients Directing Which Broker/Dealer/Custodian to Use**

We do recommend a specific custodian for clients to use, however, clients may custody their assets at a custodian of their choice. Clients may also direct us to use a specific broker-dealer to execute transactions. By allowing clients to choose a specific custodian, we may be unable to achieve most favorable execution of client transaction and that this may cost clients money over using a lower-cost custodian.

## **Aggregating (Block) Trading for Multiple Client Accounts**

Generally, we combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as “block trading”). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. Subject to our discretion, regarding particular circumstances and market conditions, when we combine orders, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs. Accounts owned by our firm or persons associated with our firm may participate in block trading with your accounts; however, they will not be given preferential treatment.

# **Item 13: Review of Accounts**

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Financial plans are prepared for clients who have retained Financial Management Associates, LLC for this purpose. Upon completion of the plan, Financial Management Associates, LLC will meet with every client to review the plan and answer any questions the client may have about the contents of the plan. There are no different levels of review. After this consultation, there are no further reviews unless the client requests additional meetings. As such, there are no regular reports. Because the investment advisory services are part of the overall financial planning process, partial or complete reviews may be triggered by many factors, i.e., end of fiscal year, availability of funds, inheritance, marriage, business change, investment opportunity, investment performance change, etc. Formal reviews are scheduled at intervals chosen by the client, but occur at least annually. The advisor always supervises such reviews. Our review process includes a review and updating of all relevant information, and the generation of revised reports. Associated persons of Financial Management Associates, LLC are the reviewers for Financial Management Associates, LLC.

Asset management clients receive reports at least semi-annually, unless requested more frequently by the client. Schwab Institutional and National Financial Services, LLC also provide monthly statements. Financial planning clients receive no reports other than those described in 11A. However, the client may, at his or her discretion, choose to implement the financial plan through the associated person's capacity of registered representative. In that event, the client will receive monthly, quarterly, and/or annual statements from investment companies, product sponsors, broker/dealers and/or custodians.

## Item 14: Client Referrals and Other Compensation

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The firm receives certain benefits as a result of its relationships with Schwab Institutional and Commonwealth. Examples include conferences and educational meetings from product sponsors. Moreover, Schwab's services include brokerage, custody, research and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment. For Advisor's clients' accounts maintained in its custody, Schwab generally does not charge separately for custody but is compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

We do not directly or indirectly compensate any person who is not advisory personnel for client referrals.

## Item 15: Custody

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Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. We urge you to carefully review such statements and compare such official custodial records to the account statements or reports that we may provide to you. Our statements or reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. For clients who have their advisory fee directly debited from their account, on a quarterly or semi-annual basis they will receive an itemized invoice for their advisory fee that includes the formula used to calculate the fee, the amount of assets under management the fee is based on, and the time period covered by the fee.

## Item 16: Investment Discretion

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Because of the Limited Power of Attorney which advisory clients sign, the advisor will have the authority to determine, without obtaining specific client consent, the securities to be bought or sold and the amount of securities to be bought or sold. This is a limited grant of discretionary authority. All clients do have the absolute right, under the terms and conditions of the Limited Power of Attorney which such clients sign, to place any and all limitations on our firm's discretionary authority which the client may wish to impose, should the client choose to do so.

## Item 17: Voting Client Securities

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We do not vote Client proxies. Therefore, Clients maintain exclusive responsibility for: (1) voting proxies, and (2) acting on corporate actions pertaining to the Client's investment assets. The Client shall instruct the Client's qualified custodian to forward to the Client copies of all proxies and shareholder communications relating to the Client's investment assets. If the client would like our opinion on a particular proxy vote, they may contact us at the number listed on the cover of this brochure.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward you any electronic solicitation to vote proxies.

## Item 18: Financial Information

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

## Additional Information

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For Massachusetts Residents: Massachusetts General Laws Section 203A requires disclosure that information about the disciplinary history and the registration of said investment adviser and its associated persons may be obtained by contacting the Public Reference Branch of the Securities and Exchange Commission at (202) 942- 8090 or the Massachusetts Securities Division at (617) 727-3548.