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**This brochure provides information about the qualifications and business practices of CL Wealth Management LLC. If you have any questions about the content of this brochure, please contact us at 804-521-7615.**

**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 CL Wealth Management LLC, is available on the SEC's website at [www.adviserinfo@sec.gov](mailto:www.adviserinfo@sec.gov). The searchable IARD/CRD number for CL Wealth Management, LLC is 134922**

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

## **Item 2 Material Changes**

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Since our last update we have made no material changes:

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## **Item 4 Advisory Business**

### **A. Description of Your Advisory Firm**

CL Wealth Management LLC ("CLW") is a Virginia based investment adviser registered with the Securities and Exchange Commission ("SEC"). We opened for business as CBS Advisors, LLC in September 2005. In July 2013, we changed our name to CL Wealth Management LLC. CL Wealth Management is affiliated with Cabot Lodge Securities LLC ("CLS") a New York based fully disclosed introducing broker/dealer. CL Wealth Management LLC and Cabot Lodge Securities LLC. are wholly owned by Prime United Holdings, LLC, a New York based corporation non-public unlisted holding company. Most CL Wealth Management Advisory Representatives ("IARs") are also registered representatives of Cabot Lodge Securities LLC. Many of these same representatives are also licensed insurance agents and hold insurance appointments from one or more insurance companies. Some clients of CL Wealth Management LLC may also be clients of Cabot Lodge Securities LLC. The relationship between CL Wealth Management LLC and Cabot Lodge Securities LLC is fully disclosed to all advisory clients.

Our advisory services and fees are described below. Please refer to the description of each investment advisory service for information on how we tailor our advisory services to your individual needs. As used in this brochure, the words "we", "our" and "us" refer to CL Wealth Management LLC and the words "you", "your" and "client" refer to you as either a client or prospective client of our firm. You may also see the term "Associated Person" throughout this brochure. As used in this brochure, our Associated Persons are our firm's officers, employees, and all registered individuals providing investment advice on behalf of our firm.

### **B. Description of Advisory Services Offered**

CLW is an independent investment advisory firm offering portfolio advisory and financial planning services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, local and municipal governments, corporations, and other business entities.

CLW recommends securities transactions to its clients that include securities and strategies as described in Item 8 of this Brochure.

We offer a variety of both discretionary and non-discretionary portfolio management services whereby investment advice is tailored to meet our clients' needs and investment objectives. If you retain our firm for portfolio management services, an Investment Adviser Representative ("IAR") will meet with you (either in person or by telephone) to determine your investment objectives, risk tolerance, time horizon, goals, liquidity needs, investment experience and other relevant information (collectively, your "investment information") at the beginning of our advisory relationship. CLW, through its IAR, will use the information to develop and recommend a strategy or program that is best suited, given all relevant factors you provide to us, to meet your needs and objectives.

As part of our portfolio management services, an IAR of our firm may customize an investment portfolio for you according to your risk tolerance and investment objectives and/or may invest your assets according to one or more model portfolios developed by the IAR or by a Third Party Manager. Once the IAR constructs an investment portfolio for you or selects a model portfolio, the IAR will monitor your portfolio's performance on an ongoing basis, and will rebalance the portfolio as required by changes in market conditions and/or your financial circumstances.

## Management of Accounts

In some instances, a CLW IAR will manage the client's account on a discretionary or non-discretionary basis. After consulting with their client, each IAR will use a combination of fundamental and/or technical analysis, and various other sources to acquire information about various investment options that may be suitable for each client. Fundamental analysis of a business involves analyzing its financial statements and health, its management and competitive advantages, and its competitors. Technical analysis employs models and trading rules based on such things as price, volume of shares traded, moving averages, and identification of chart patterns.

## Non-Discretionary Portfolio Management Services/Referrals to Third Party Manager Programs

When managing an account on a non-discretionary basis, the IAR will gather the client's investment information, and recommend a portfolio. If the client elects to have the CLW IAR manage their portfolio directly, the IAR, with prior authorization from the client, will buy, sell or to trade in stocks, bonds, and any other securities for the account. If you enter into these non-discretionary arrangements with our firm, we must obtain your approval prior to executing any transactions on behalf of your account. The CLW IAR will monitor the client's portfolio on a regular basis, and will make recommendations for changes as warranted by the overall performance of the investments in the client's portfolio, the performance of the model portfolio, or changes in the client's financial circumstances or objectives.

## CLW Discretionary Portfolio Management Services

If you elect to use our discretionary portfolio management services, we require you to grant our firm limited discretionary authority to manage your account. This discretionary authorization will allow us to determine the specific securities and the amount of such securities to be purchased or sold for your account without your prior approval, and to direct the custodian to deduct our fees directly from your account. This discretionary authority is typically granted through the investment advisory agreement you sign with our firm and the completion of the appropriate trading authorization forms. You may limit our discretionary authority (for example, limiting the types of securities that can be purchased for your account) by providing our firm with your restrictions and guidelines in writing.

## Selection of Other Advisers/Third Party Managers

As part of our investment advisory services, we may recommend that you use the services of a Third Party Money Manager ("MM") to manage all or a portion of your investment portfolio. A CLW IAR will consult with his/her clients to determine the client's investment objectives, investment goals, time horizon, and risk tolerance, among other factors, in order to best determine which program or manager is best suited for the client. The type of investment restrictions a client may place on an account varies by program and manager, and some do not allow any restrictions. Part of the selection process is to select the program or manager that best reflects the wishes of the client.

After gathering information about your financial situation and objectives, we may recommend that you engage a specific MM or investment program. Factors that we take into consideration when making our recommendation include, but are not limited to, the following: the MM's historical performance, methods of analysis, fees, your financial needs, investment goals, risk tolerance, and investment objectives. IARs will periodically monitor the MM(s)' performance to ensure their management and investment style remains aligned with your investment goals and objectives.

If the client elects to use the services of a Third Party Manager, their account will generally be managed by that Manager on a discretionary basis. When a client grants discretion over an account to a Third Party Manager, that manager will determine the type of securities and the amount of each security to be purchased or sold. The manager will also determine the custodial broker/dealer where the account will be held. The manager may choose one of the firms that act as custodial firms for CL Wealth Management or another custodial broker/dealer which the Manager uses. A condition of participation with certain Third Party Managers may be agreeing to use the custodian selected by that Manager. The manager may also determine what commission rate is used for the account. If the account is held at one of the firms that act as custodians for CLW managed accounts, the commission rate will be no greater than the clearing cost to the CLW IAR. Please consult the relevant Third Party Manager's disclosure documents for further information on conditions for managing client accounts.

### Third Party Manager Options

When a Third Party Money Manager manages assets for a client referred by CLW, that manager will manage the client's assets according to its own policies and procedures. In some instances, certain of these managers may serve as a sub-adviser for CLW. In other cases, CLW has entered into an arrangement to refer clients to them for asset management services.

### Financial Planning and Consulting Services

CLW offers personal financial planning services that include, but are not limited to, advice on education funding, asset allocation, budgeting and cash flow analysis, retirement planning, estate planning, and insurance planning. CLW also offers consulting services that include, but are not limited to, advice on portfolio holdings, asset allocation, and evaluation of retirement planning, estate planning, and insurance planning. Services rendered on a consulting basis are usually not ongoing, but limited to a specific issue or issues important to a client. Neither CLW nor any of its representatives gives legal or tax advice. You are under no obligation to act on our financial planning recommendations. Should you choose to act on any of our recommendations, you are not obligated to implement the financial plan through any of our other investment advisory services. Moreover, you may act on our recommendations by placing securities transactions with any brokerage firm.

Financial plans are based on your financial situation at the time we present the plan to you, and on the financial information you provide to us. You must promptly notify our firm if your financial situation, goals, objectives, or needs change.

## C. Client-Tailored Services and Client-Imposed Restrictions

Each client's account will be managed on the basis of the client's financial situation and investment objectives and in accordance with any reasonable restrictions imposed by the client on the management of the account—for example, restricting the type or amount of security to be purchased in the portfolio.

## D. Client Assets Under Management

As of December 31, 2014 we managed \$65,660,000 in client assets on a discretionary basis and \$23,243,000 in client assets on a non-discretionary basis.

## Item 5: Fees and Compensation

### A. Methods of Compensation and Fee Schedule

#### Portfolio Management Services

CLW's fee for the services is an asset-based fee calculated as a percentage of the value of the managed assets, calculated according to the following fee schedule, which represents the standard fees for individual services. There may be exceptions to this schedule.

Assets Under Management	Annual Fee Rate*
\$25,000 - \$100,000	2.25%
\$100,000 - \$250,000	2.00%
\$250,000 - \$500,000	1.75%
\$500,000 - \$1,000,000	1.50%
\$1,000,000 - \$2,000,000	1.25%
\$2,000,000 and over	Negotiable

\*A portion of the Annual Fee may be paid to the account custodian for billing, reporting and/or other administrative functions.

In general, CLW requires a minimum of \$25,000 to open and maintain an advisory account. At our discretion, we may waive this minimum account size.

CLW's annual portfolio management fee is billed and payable quarterly in advance or arrears based on the value of the client's account on the last day of the previous quarter or quarter, respectively. If the portfolio management agreement is executed at any time other than the first day of a calendar quarter, fees will apply on a pro rata basis, which means that the advisory fee is payable in proportion to the number of days in the quarter for which you are a client. Our advisory fee is negotiable, depending on individual client circumstances.

At our discretion, we may combine the account values of family members living in the same household to determine the applicable advisory fee. For example, we may combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts. Combining account values may increase the asset total, which may result in your paying a reduced advisory fee based on the available breakpoints in our fee schedule stated above.

The qualified custodian will directly deduct our fees from our clients' accounts. The custodian sends statements showing all account activity including advisory fees to the client at least quarterly. In a limited number of instances, a client may have fees billed to another account. You should review all statements for accuracy. In some instances, we may bill the client directly. In this case the client will then pay CLW directly.

Clients may terminate the client agreement upon 30 days' written notice to our firm. If the fee is charged in advance, the fee is prorated based on the number of days the account is open. If the account is terminated prior to the last day of a quarter, a prorated portion, based on the days remaining in such quarter, of the quarterly fee paid in advance will be refunded to the client.



## **Selection of Other Advisers**

When a third-party manager is used, the fee schedule is provided by the third-party manager. Each client using a particular third-party manager will be provided with that manager's disclosure statement and fee schedule. CLW will receive, and will pay to the IAR, a portion of the fee. The portion of the fee paid to CLW may vary depending on the fee schedule of the individual third-party manager.

CLW generally does not withdraw third-party manager fees from client accounts. Such managers generally debit their own fees from client accounts, but on occasion, based on the specific contractual agreement, may require CLW to deduct their fees. In any event, clients will need to provide written consent to the custodian or third-party manager in order for fees to be deducted from their account. The custodian of the account sends statements showing all account activity including advisory fees to the client at least quarterly. In a limited number of instances, a client may have fees billed to another account.

Most accounts are billed quarterly; however, some third-party managers may charge fees monthly. Fees can be charged either in advance or arrears. Account billing is fully disclosed in each third-party manager's disclosure statements that are delivered to clients.

Fees of various third-party managers may vary based on the size and type of account. CLW's fees portion may, in certain circumstances, be negotiated. Compensation paid to CLW from various third-party managers may vary; therefore, there may be a conflict of interest in recommending a manager who shares a larger portion of the total fee over another manager.

## **Financial Planning and Consulting Fees**

Financial planning and consulting fees are based on the time required to complete the assignment. The standard planning and consulting fee is \$350 per hour. An estimate of the total fee is agreed upon in advance. Financial planning and consulting fees are negotiable based on the complexity and scope of services to be provided and in some cases may be waived.

You may terminate the financial planning agreement by providing notice to our firm. You will incur a pro rata charge for services rendered prior to the termination of the agreement.

## **B. Client Payment of Fees**

CLW will not take custody or possession of client funds or securities at any time except to the extent that CLW may deduct fees directly from the client's account. CLW will deduct advisory and custodial fees directly from the client's account provided that (i) the client provides written authorization to the qualified custodian, and (ii) the qualified custodian sends the client a statement, at least quarterly, indicating all amounts disbursed from the account.

The client is responsible for verifying the accuracy of the fee calculation, as the client's custodian will not verify the calculation.

## **C. Additional Client Fees Charged**

All fees paid for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and exchange-traded funds, separate account managers, broker-dealers, and custodians retained by clients. Such fees and expenses are described in each fund's prospectus, each separate account manager's Form ADV or similar disclosure statement, and by any broker-dealer or custodian retained by the client. Clients are advised to read these materials carefully before investing. If a

fund also imposes sales charges, a client may pay an initial or deferred sales charge as further described in the mutual fund's prospectus. A client using CLW may be precluded from using certain mutual funds or separate account managers because they may not be offered by the client's custodian. Please refer to the Brokerage Practices section (Item 12) for additional information regarding the firm's brokerage practices.

#### **D. Prepayment of Client Fees**

CLW may require the prepayment of asset-based fees. CLW's fees will either be paid directly by the client or disbursed to CLW by the qualified custodian of the client's investment accounts, subject to prior written consent of the client. The custodian will deliver directly to the client an account statement, at least quarterly, showing all investment and transaction activity for the period, including fee disbursements from the account.

A client investment advisory agreement may be canceled at any time by the client, or by CLW with 30 days' prior written notice to the client. An agreement may be terminated by either party for any reason upon receipt of written notice. Upon termination of any account, any unearned, prepaid fees will be promptly refunded and any earned, unpaid fees will be immediately due and payable. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement.

#### **E. External Compensation for the Sale of Securities to Clients**

Associated persons providing investment advice on behalf of CLW are registered representatives with Cabot Lodge Securities CLW's affiliated broker-dealer. In their capacity as registered representatives, these persons receive commission-based compensation in connection with the purchase and sale of securities (such as stocks, bonds, variable annuities, and limited partnerships), including 12b-1 fees for the sale of investment company products ("mutual funds"). When suitable, CLW generally recommends no-load/load waived mutual funds. Compensation, earned by these persons in their capacities as registered representatives, is separate and in addition to CLW's advisory fees. This practice may present a conflict of interest because persons providing investment advice on behalf of CLW who are registered representatives have an incentive to effect securities transactions for the purpose of generating commissions rather than solely based on the client's needs. However, clients are under no obligation, contractually or otherwise, to buy or sell securities products through any person affiliated with CLW. In addition, the firm may recommend an investment in one or more sponsored, managed, or advised products by one of our affiliates which may earn compensation from one of our affiliates. Such compensation may include dividends from preferred ownerships interests, management and advisory fees, profit participation, and related income. Such compensation may create a conflict of interest in that CLW has an economic interest in recommending products. The firm does not receive any compensation from those other entities, unless otherwise disclosed.

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

CLW may receive performance fees from Funds as described in the applicable Funds' offering documents. Performance-based fees apply generally to Funds that CLW or its affiliates either manage or advise.

CLW may charge performance-based fees to accredited investors as defined by the SEC. Performance-based fees on the applicable Fund are set forth in the Fund's offering materials.

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

CLW offers investment advisory services to various types of clients including individuals, pension and profit sharing plans, trusts, estates, charitable organizations, local and municipal governments, corporations, and other business entities.

In general, CLW requires a minimum of \$25,000 to open and maintain an advisory account. At our discretion, we may waive this minimum account size.

For accounts managed by third-party managers, the minimum account size is usually determined by the third-party manager. Please consult the relevant third party manager's disclosure document for information on minimum account requirements.

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

### **A. Methods of Analysis and Investment Strategies**

#### **A.1. Methods of Analysis**

CLW may use one or more of the following methods of analysis when providing investment advice:

- Charting Analysis
- Technical Analysis
- Fundamental Analysis
- Cyclical Analysis
- Tax Considerations

#### **Charting Analysis**

Charting analysis involves the gathering and processing of price and volume pattern information for a particular security, sector, broad index, or commodity. This price and volume pattern information is analyzed. The resulting pattern and correlation data is used to detect departures from expected performance and diversification and predict future price movements and trends.

The risk of charting analysis is that it may not accurately detect anomalies or 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.

#### **Technical Analysis**

Technical analysis involves studying past price patterns, trends, and interrelationships in the financial markets to assess risk-adjusted performance and predict the direction of both the overall market and specific securities.

The risk of market timing based on technical analysis is that our analysis may not accurately detect anomalies or 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.

## **Fundamental 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 and its industry. The resulting data is used to measure the true value of the company's stock compared to the current market value.

## **Cyclical Analysis**

Cyclical analysis is a type of technical analysis that involves evaluating recurring price patterns and trends. Economic/business cycles may not be predictable and may have many fluctuations between long-term expansions and contractions.

The lengths of economic cycles may be difficult to predict with accuracy and therefore the risk of cyclical analysis is the difficulty in predicting economic trends and consequently the changing value of securities that would be affected by these changing trends.

## **Tax Considerations**

Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you consult with a tax professional prior to and throughout the investing of your assets.

Moreover, as a result of revised IRS regulations, custodians and broker-dealers began reporting the cost basis of equities acquired in client accounts on or after January 1, 2011. Your custodian will default to the FIFO (first-in, first-out) accounting method for calculating the cost basis of your investments. You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, please provide written notice to our firm immediately and we will alert your account custodian of your individually selected accounting method. Please note that decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

## **A.2. Material Risks of Investment Instruments**

The investment vehicles most commonly purchased for CLW clients are shares of registered open-end mutual funds and exchange-traded funds. Many of these investments can be purchased directly by clients without utilizing the services of an advisor. Registered investment companies charge their own management fees and expenses. These fees and expenses are detailed in each respective mutual fund's prospectus and are in addition to any fees charged by CLW.

CLW typically invests in open-end mutual funds and exchange-traded funds for the vast majority of its clients. However, for certain clients, CLW may effect transactions in the following types of securities:

- Equity securities
- Warrants and rights
- Mutual fund securities
- Exchange-traded funds
- Fixed income securities
- Corporate debt securities, commercial paper, and certificates of deposit

- Municipal securities
- U.S. government securities
- Private placements
- Pooled investment vehicles
- Structured products
- Government and agency mortgage-backed securities
- Corporate debt obligations
- Mortgage-backed securities
- Asset-backed securities
- Collateralized obligations

## **Equity Securities**

Investing in individual companies involves inherent risk. The major risks relate to the company's capitalization, quality of the company's management, quality and cost of the company's services, the company's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk, and the company's ability to create shareholder value (i.e., increase the value of the company's stock price). Foreign securities, in addition to the general risks of equity securities, have geopolitical risk, financial transparency risk, currency risk, regulatory risk and liquidity risk.

## **Warrants and Rights**

Warrants are securities, typically issued with preferred stock or bonds, which give the holder the right to purchase a given number of shares of common stock at a specified price and time. The price of the warrant usually represents a premium over the applicable market value of the common stock at the time of the warrant's issuance. Warrants have no voting rights with respect to the common stock, receive no dividends, and have no rights with respect to the assets of the issuer. Investments in warrants and rights involve certain risks, including the possible lack of a liquid market for the resale of the warrants and rights, potential price fluctuations due to adverse market conditions or other factors, and failure of the price of the common stock to rise. If the warrant is not exercised within the specified time period, it becomes worthless.

## **Mutual Fund Securities**

Investing in mutual funds carries inherent risk. The major risks of investing in a mutual fund include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification, and the type and amount of sector diversification within specific industries. In addition, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold the fund.

## **Exchange-Traded Funds ("ETFs")**

ETFs are investment companies whose shares are bought and sold on a securities exchange. An ETF holds a portfolio of securities designed to track a particular market segment or index. Some examples of ETFs are SPDRs®, streetTRACKS®, DIAMONDSSM, NASDAQ 100 Index Tracking StockSM ("QQQs SM"), iShares® and VIPERs®. The funds could purchase an ETF to gain exposure to a portion of the U.S. or foreign market. The funds, as a shareholder of another investment company, will bear their

pro rata portion of the other investment company's advisory fee and other expenses, in addition to their own expenses.

Investing in ETFs involves risk. Specifically, ETFs, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price movement of the ETF or enhancing any downward price movement. Also, ETFs require more frequent portfolio reporting by regulators and are thereby more susceptible to actions by hedge funds that could have a negative impact on the price of the ETF. Certain ETFs may employ leverage, which creates additional volatility and price risk depending on the amount of leverage utilized, the collateral, and the liquidity of the supporting collateral. Further, the use of leverage (i.e., employ the use of margin) generally results in additional interest costs to the ETF. Certain ETFs are highly leveraged and therefore have additional volatility and liquidity risk. Volatility and liquidity can severely and negatively impact the price of the ETF's underlying portfolio securities, thereby causing significant price fluctuations of the ETF.

### **Fixed Income Securities**

Fixed income securities carry additional risks than those of equity securities described above. These risks include the company's ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S or foreign), and currency risk. If bonds have maturities of ten years or greater, they will likely have greater price swings when interest rates move up or down. The shorter the maturity the less volatile the price swings. Foreign bonds have liquidity and currency risk.

### **Corporate Debt, Commercial Paper, and Certificates of Deposit**

Fixed income securities carry additional risks than those of equity securities described above. These risks include the company's ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S or foreign), and currency risk. If bonds have maturities of ten years or greater, they will likely have greater price swings when interest rates move up or down. The shorter the maturity the less volatile the price swings. Foreign bonds also have liquidity and currency risk.

Commercial paper and certificates of deposit are generally considered safe instruments, although they are subject to the level of general interest rates, the credit quality of the issuing bank, and the length of maturity. With respect to certificates of deposit, depending on the length of maturity there can be prepayment penalties if the client needs to convert the certificate of deposit to cash prior to maturity.

### **Municipal Securities**

Municipal securities carry additional risks than those of corporate and bank-sponsored debt securities described above. These risks include the municipality's ability to raise additional tax revenue or other revenue (in the event the bonds are revenue bonds) to pay interest on its debt and to retire its debt at maturity. Municipal bonds are generally tax free at the federal level, but may be taxable in individual states other than the state in which both the investor and municipal issuer is domiciled.

### **U.S. Government Securities**

U.S. government securities include securities issued by the U.S. Treasury and by U.S. government agencies and instrumentalities. U.S. government securities may be supported by the full faith and credit of the United States.

## **Private Placements**

Private placements may carry significant risk in that companies using the private placement market conduct securities offerings that are exempt from registration under the federal securities laws, which means that investors do not have access to public information and such investors are not provided with the same amount of information that they would receive if the securities offering was a public offering. Moreover, many companies using private placements do so to raise equity capital in the start-up phase of their business, or require additional capital to complete another phase in their growth objective. In addition, the securities issued in connection with private placements are restricted securities, which mean that they are not traded on a secondary market, such as a stock exchange, and they are thus illiquid and cannot be readily converted to cash.

## **Pooled Investment Vehicles**

A pooled investment vehicle, such as a commodity pool or investment company, is generally offered only to investors who meet specified suitability, net worth, and annual income criteria. Pooled investment vehicles sell securities through private placements and thus are illiquid and subject to a variety of risks that are disclosed in each pooled investment vehicle's confidential private placement memorandum or disclosure document. Investors should read these documents carefully and consult with their professional advisors prior to committing investment dollars. Because many of the securities involved in pooled investment vehicles do not have transparent trading markets from which accurate and current pricing information can be derived, or in the case of private equity investments where portfolio security companies are privately held with no publicly traded market, the firm will be unable to monitor or verify the accuracy of such performance information.

## **Structured Products**

Structured products are generally designed to facilitate customized risk-return objectives. While structured products come in many different forms, they typically consist of a debt security that is structured to make interest and principal payments based upon various assets, rates, or formulas. Many structured products include an embedded derivative component. Structured products may be structured in the form of a security, in which case these products may receive benefits provided under federal securities law, or they may be cast as derivatives, in which case they are offered in the over-the-counter market and are subject to no regulation.

Investment in structured products includes significant risks, including valuation, liquidity, price, credit, and market risks. One common risk associated with structured products is a relative lack of liquidity due to the highly customized nature of the investment. Moreover, the full extent of returns from the complex performance features is often not realized until maturity. As such, structured products tend to be more of a buy-and-hold investment decision rather than a means of getting in and out of a position with speed and efficiency.

Another potential risk with structured products is the credit quality of the issuer. Although the cash flows are generally derived from other sources, the products themselves are legally considered to be the issuing financial institution's liabilities. The vast majority of structured products are generally from high-investment-grade issuers. Also, there is a lack of pricing transparency. There is no uniform standard for pricing, making it harder to compare the net-of-pricing attractiveness of alternative structured product offerings than it is, for instance, to compare the net expense ratios of different mutual funds or commissions among broker-dealers.



## Government and Agency Mortgage-Backed Securities

The principal issuers or guarantors of mortgage-backed securities are the Government National Mortgage Association (“GNMA”), Fannie Mae (“FNMA”), and the Federal Home Loan Mortgage Corporation (“FHLMC”). GNMA, a wholly owned U.S. government corporation within the Department of Housing and Urban Development (“HUD”), creates pass-through securities from pools of government-guaranteed (Farmers’ Home Administration, Federal Housing Authority or Veterans Administration) mortgages. The principal and interest on GNMA pass-through securities are backed by the full faith and credit of the U.S. government.

FNMA, which is a U.S. government-sponsored corporation owned entirely by private stockholders that is subject to regulation by the secretary of HUD, and FHLMC, a corporate instrumentality of the U.S. government, issue pass-through securities from pools of conventional and federally insured and/or guaranteed residential mortgages. FNMA guarantees full and timely payment of all interest and principal, and FHLMC guarantees timely payment of interest and ultimate collection of principal of its pass-through securities. Mortgage-backed securities from FNMA and FHLMC are *not* backed by the full faith and credit of the U.S. government.

## Corporate Debt Obligations

Corporate debt obligations include corporate bonds, debentures, notes, commercial paper, and other similar corporate debt instruments. Companies use these instruments to borrow money from investors. The issuer pays the investor a fixed or variable rate of interest and must repay the amount borrowed at maturity. Commercial paper (short-term unsecured promissory notes) is issued by companies to finance their current obligations and normally has a maturity of less than nine months. In addition, the firm may invest in corporate debt securities registered and sold in the United States by foreign issuers (Yankee bonds) and those sold outside the U.S. by foreign or U.S. issuers (Eurobonds).

## Mortgage-Backed Securities

Mortgage-backed securities represent interests in a pool of mortgage loans originated by lenders such as commercial banks, savings associations, and mortgage bankers and brokers. Mortgage-backed securities may be issued by governmental or government-related entities, or by non-governmental entities such as special-purpose trusts created by commercial lenders.

Pools of mortgages consist of whole mortgage loans or participations in mortgage loans. The majority of these loans are made to purchasers of between one and four family homes. The terms and characteristics of the mortgage instruments are generally uniform within a pool but may vary among pools. For example, in addition to fixed-rate, fixed-term mortgages, the firm may purchase pools of adjustable-rate mortgages, growing equity mortgages, graduated payment mortgages, and other types. Mortgage poolers apply qualification standards to lending institutions, which originate mortgages for the pools as well as credit standards and underwriting criteria for individual mortgages included in the pools. In addition, many mortgages included in pools are insured through private mortgage insurance companies.

Mortgage-backed securities differ from other forms of fixed income securities, which normally provide for periodic payment of interest in fixed amounts with principal payments at maturity or on specified call dates. Most mortgage-backed securities, however, are pass-through securities, which means that investors receive payments consisting of a pro rata share of both principal and interest (less servicing and other fees), as well as unscheduled prepayments as loans in the underlying mortgage pool are paid off by the borrowers. Additional prepayments to holders of these securities are caused by prepayments resulting



from the sale or foreclosure of the underlying property or refinancing of the underlying loans. As prepayment rates of individual pools of mortgage loans vary widely, it is not possible to accurately predict the average life of a particular mortgage-backed security. Although mortgage-backed securities are issued with stated maturities of up to 40 years, unscheduled or early payments of principal and interest on the mortgages may shorten considerably the securities' effective maturities.

### **Asset-Backed Securities**

Like mortgages-backed securities, the collateral underlying asset-backed securities are subject to prepayment, which may reduce the overall return to holders of asset-backed securities. Asset-backed securities present certain additional and unique risks. Primarily, these securities do not always have the benefit of a security interest in collateral comparable to the security interests associated with mortgage-backed securities. Credit card receivables are in general unsecured. Debtors are entitled to the protection of a number of state and federal consumer credit laws, many of which give such debtors the right to set-off certain amounts owed on the credit cards, thereby reducing the balance due.

Generally, automobile receivables are secured by automobiles. Most issuers of automobile receivables permit the loan servicers to retain possession of the underlying obligations. If the servicer were to sell these obligations to another party, there is a risk that the purchaser would acquire an interest superior to that of the holders of the asset-backed securities. In addition, because of the large number of vehicles involved in a typical issuance and the technical requirements under state laws, the trustee for the holders of the automobile receivables may not have a proper security interest in the underlying automobiles. As a result, the risk that recovery on repossessed collateral might be unavailable or inadequate to support payments on asset-backed securities is greater for asset-backed securities than for mortgage-backed securities. In addition, because asset-backed securities are relatively new, the market experience in these securities is limited and the market's ability to sustain liquidity through all phases of an interest rate or economic cycle has not been tested.

### **Collateralized Obligations**

Collateralized mortgage obligations ("CMOs") are collateralized by mortgage-backed securities issued by GNMA, FHLMC, or FNMA ("mortgage assets"). CMOs are multiple-class debt obligations. Payments of principal and interest on the mortgage assets are passed through to the holders of the CMOs as they are received, although certain classes (often referred to as "tranches") of CMOs have priority over other classes with respect to the receipt of mortgage prepayments. Each tranche is issued at a specific or floating coupon rate and has a stated maturity or final distribution date. Interest is paid or accrues in all tranches on a monthly, quarterly, or semi-annual basis. Payments of principal and interest on mortgage assets are commonly applied to the tranches in the order of their respective maturities or final distribution dates, so that generally no payment of principal will be made on any tranche until all other tranches with earlier stated maturity or distribution dates have been paid in full.

Collateralized debt obligations ("CDOs") include collateralized bond obligations ("CBOs"), collateralized loan obligations ("CLOs"), and other similarly structured securities. CBOs and CLOs are types of asset-backed securities. A CBO is a trust that is backed by a diversified pool of high-risk, below-investment-grade fixed income securities. A CLO is a trust typically collateralized by a pool of loans, which may include, among others, domestic and foreign senior secured loans, senior unsecured loans, and subordinate corporate loans, including loans that may be rated below investment grade or equivalent unrated loans.

## **B. Investment Strategy and Method of Analysis Material Risks**

Our investment strategy is custom-tailored to the client's goals, investment objectives, risk tolerance, and personal and financial circumstances.

### **B.1. Margin Leverage**

Although CLW, as a general business practice, does not utilize leverage, there may be instances in which exchange-traded funds, other separate account managers and, in very limited circumstances, CLW will utilize leverage. In this regard please review the following:

The use of margin leverage enhances the overall risk of investment gain and loss to the client's investment portfolio. For example, investors are able to control \$2 of a security for \$1. So if the price of a security rises by \$1, the investor earns a 100% return on their investment. Conversely, if the security declines by \$.50, then the investor loses 50% of their investment.

The use of margin leverage entails borrowing, which results in additional interest costs to the investor. Broker-dealers who carry customer accounts require a minimum equity requirement when clients utilize margin leverage. The minimum equity requirement is stated as a percentage of the value of the underlying collateral security with an absolute minimum dollar requirement. For example, if the price of a security declines in value to the point where the excess equity used to satisfy the minimum requirement dissipates, the broker-dealer will require the client to deposit additional collateral to the account in the form of cash or marketable securities. A deposit of securities to the account will require a larger deposit, as the security being deposited is included in the computation of the minimum equity requirement. In addition, when leverage is utilized and the client needs to withdraw cash, the client must sell a disproportionate amount of collateral securities to release enough cash to satisfy the withdrawal amount based upon similar reasoning as cited above.

Regulations concerning the use of margin leverage are established by the Federal Reserve Board and vary if the client's account is held at a broker-dealer versus a bank custodian. Broker-dealers and bank custodians may apply more stringent rules as they deem necessary.

### **B.2. Short-Term Trading**

Although CLW, as a general business practice, does not utilize short-term trading, there may be instances in which short-term trading may be necessary or an appropriate strategy. In this regard, please read the following:

There is an inherent risk for clients who trade frequently in that high-frequency trading creates substantial transaction costs that in the aggregate could negatively impact account performance.

### **B.3. Short Selling**

CLW generally does not engage in short selling but reserves the right to do so in the exercise of its sole judgment. Short selling involves the sale of a security that is borrowed rather than owned. When a short sale is effected, the investor is expecting the price of the security to decline in value so that a purchase or closeout of the short sale can be effected at a significantly lower price. The primary risks of effecting short sales is the availability to borrow the stock, the unlimited potential for loss, and the requirement to fund any difference between the short credit balance and the market value of the security.

## **B.4. Option Strategies**

Various option strategies give the holder the right to acquire or sell underlying securities at the contract strike price up until expiration of the option. Each contract is worth 100 shares of the underlying security. Options generally entail greater risk but allow an investor to have market exposure to a particular security or group of securities without the capital commitment required to purchase the underlying security or groups of securities. In addition, options allow investors to hedge security positions held in the portfolio. For detailed information on the use of options and option strategies, please contact the Options Clearing Corporation for the current Options Risk Disclosure Statement.

CLW as part of its investment strategy may employ the following option strategies:

- Covered call writing
- Long call options purchases
- Long put options purchases
- Option spreading
- Short call option strategy
- Short put option strategy
- Equity collars
- Long straddles

### **Covered Call Writing**

Covered call writing is the sale of in-, at-, or out-of-the-money call option against a long security position held in the client portfolio. This type of transaction is used to generate income. It also serves to create downside protection in the event the security position declines in value. Income is received from the proceeds of the option sale. Such income may be reduced to the extent it is necessary to buy back the option position prior to its expiration. This strategy may involve a degree of trading velocity, transaction costs, and significant losses if the underlying security has volatile price movement. Covered call strategies are generally suited for companies with little price volatility.

### **Long Call Option Purchases**

Long call option purchases allow the option holder to be exposed to the general market characteristics of a security without the outlay of capital necessary to own the security. Options are wasting assets and expire (usually within nine months of issuance), and as a result can expose the investor to significant loss.

### **Long Put Option Purchases**

Long put option purchases allow the option holder to sell or “put” the underlying security at the contract strike price at a future date. If the price of the underlying security declines in value, the value of the long put option increases. In this way long puts are often used to hedge a long stock position. Options are wasting assets and expire (usually within nine months of issuance), and as a result can expose the investor to significant loss.

### **Option Spreading**

Option spreading usually involves the purchase of a call option and the sale of a call option at a higher contract strike price, both having the same expiration month. The purpose of this type of transaction is to

allow the holder to be exposed to the general market characteristics of a security without the outlay of capital to own the security, and to offset the cost by selling the call option with a higher contract strike price. In this type of transaction, the spread holder “locks in” a maximum profit, defined as the difference in contract prices reduced by the net cost of implementing the spread. There are many variations of option spreading strategies; please contact the Options Clearing Corporation for a current Options Risk Disclosure Statement that discusses each of these strategies.

### **Short Call Option Strategy**

Short call option strategy is speculative and has theoretical potential for unlimited loss. The seller (writer) of the call option receives proceeds (premium) from the sale of the option. The expectation is that the value of the underlying security will remain below the contract strike price and the option will expire worthless, allowing the option writer to keep the entire amount of the sale proceeds (premium). Should the value of the underlying security increase above the contract strike price, then the option writer can either purchase the call option at a loss, or through a process of exercise and assignment be forced to sell the stock at the contract strike price. If this happens, the option writer will have to go in the open market and buy an equivalent amount of stock to cover the sale at prices that can be materially higher than the amount received from the sale.

### **Short Put Option Strategy**

Short put option strategy is speculative and has theoretical potential for significant loss. The seller (writer) of the put option receives proceeds (premium) from the sale of the option. The expectation is that the value of the underlying security will remain above the contract strike price and the option will expire worthless, allowing the option writer to keep the entire amount of the sale proceeds (premium). Should the value of the underlying security decrease below the contract strike price, the option writer can either purchase the put option at a loss, or through a process of exercise and assignment be forced to buy the stock at the contract strike price. If this happens, the option writer will be purchasing the underlying security at a price potentially well above its then-current market value, exposing the investor to potential loss.

### **Equity Collar**

A collar combines both a cap and a floor. A cap gives the purchaser of the cap the right (for a premium payment), but not the obligation, to receive the difference in the cost on some amount when a specified index rises above the specified “cap rate.” A floor is the opposite of a cap—it gives the purchaser of the floor the right (for a premium payment), but not the obligation, to receive the difference in interest payable on an amount when a specified index falls below the specified “floor rate.” A collar involving stock is called an “equity collar.” In a collar transaction, the buyer of the collar purchases a cap while selling a floor indexed to the same rate or asset. A zero-cost collar results when the premium earned by selling a floor exactly offsets the cap premium.

### **Long Straddle**

A long straddle is the purchase of a long call and a long put with the same underlying security, expiration date and strike price. This is a speculative trade that may be profitable when volatility is high and will result in a loss when prices of the underlying security are relatively stable.

## **C. Security-Specific Material Risks**

There is an inherent risk for clients who have their investment portfolios heavily weighted in one security, one industry or industry sector, one geographic location, one investment manager, one type of investment instrument (equities versus fixed income). Clients who have diversified portfolios, as a general rule, incur less volatility and therefore less fluctuation in portfolio value than those who have concentrated holdings. Concentrated holdings may offer the potential for higher gain, but also offer the potential for significant loss.

## **Item 9: Disciplinary Information**

### **A. Criminal or Civil Actions**

There is nothing to report on this item.

### **B. Administrative Enforcement Proceedings**

There is nothing to report on this item.

### **C. Self-Regulatory Organization Enforcement Proceedings**

There is nothing to report on this item.

## **Item 10: Other Financial Industry Activities and Affiliations**

### **A. Broker-Dealer or Representative Registration**

#### **A. Cabot Lodge Securities LLC**

Certain managers, members, and registered employees of CLW are registered representatives with Cabot Lodge Securities LLC, our affiliated broker-dealer. In their capacity as registered representatives, these persons receive commission-based compensation in connection with the purchase and sale of securities (such as stocks, bonds, variable annuities, and limited partnerships), including 12b-1 fees for the sale of investment company products (“mutual funds”). Please be advised that there is a potential conflict of interest in that there is an economic incentive to recommend securities transactions through Cabot Lodge Securities. Please also be advised that although CLW strives to put its clients’ interests first, recommendations of Cabot Lodge Securities may be viewed as being in the best interests of CLW as opposed to the best interests of the client. Clients are not obligated, contractually or otherwise, to use the services of Cabot Lodge Securities.

#### **B. Futures or Commodity Registration**

Neither CLW nor its affiliates are registered as a commodity firm, futures commission merchant, commodity pool operator, or commodity trading adviser and do not have an application to register pending.

## **C. Material Relationships Maintained by this Advisory Business and Conflicts of Interest**

### **C.1. Recommendation of Third-Party Advisors**

CLW may recommend that you use a third-party manager based on your needs and suitability. We may receive compensation from the third-party manager for recommending that you use their services. Please be advised that there is a potential conflict of interest in that there is an economic incentive to recommend such third-party managers. Please also be advised that although CLW strives to put its clients' interests first, recommendations of such third party managers may be viewed as being in the best interests of CLW as opposed to the best interests of the client. Clients are not obligated, contractually or otherwise, to use the services of any third-party manager we recommend.

### **C.2. Insurance**

CL General Agency LLC (CLG) is a New York State domiciled general insurance broker and is under common ownership with CLW. Certain managers, members, and registered employees of CLW are licensed insurance agents who recommend insurance products and receive a commission. Please be advised that there is a potential conflict of interest in that there is an economic incentive to recommend such insurance products. Please also be advised that although CLW strives to put its clients' interests first, recommendations of such products may be viewed as being in the best interests of CLW as opposed to the best interests of the client. For products requiring a securities and insurance license, clients may be limited to those insurance carriers that have a selling agreement with CLW's employing broker-dealer.

### **C.3. United Realty Trust Incorporated**

United Realty Trust Incorporated ("URTI") is a newly organized Maryland corporation that intends to invest in a wide variety of commercial property types. URTI is a real estate investment trust, or REIT, in which the indirect owners of CLW and Cabot Lodge Securities LLC, have an economic interest. Please be advised that CLW may recommend to its advisory clients an investment in URTI. Although CLW strives to place its clients' interests first, such recommendation may be viewed as being in the best interests of CLW and its affiliates as opposed to those of its clients. Advisory clients are encouraged to carefully review the prospectus and any accompanying offering materials prior to investing in URTI. URTI may have relationships with various entities that perform, are likely to perform, or have ownership interests in URTI. The direct and indirect owners of both CLW and Cabot Lodge Securities have an economic interest in those other entities. Information regarding those other entities is available in URTI's prospectus.

### **C.4. Other Affiliate Entities**

Presently, the following entities are affiliated with CLW. These entities are part of the overall corporate organization structure of United Realty Trust Incorporated. URTI is a non-publicly traded REIT. Please see disclosure in Item 10.C.4 above. As business needs dictate, additional entities may be created or removed in the future. CLW will periodically update this disclosure as needed but no less frequently than annually.

- United Realty Partners LLC
- United Realty Advisor Holdings LLC
- United Realty Advisors LP
- United Realty Capital Operating Partnership, LP

- URTI GP, LLC
- URTI LP, LLC
- Prime United Holdings, LLC
- Cabot Lodge Securities LLC
- URA Property Management LLC

#### **D. Recommendation or Selection of Other Investment Advisors and Conflicts of Interest**

CLW may recommend separate account managers or other investment products to advisory clients in which it receives some form of direct or indirect compensation from the separate account manager or investment product sponsor. Please be advised that although CLW strives to put its clients' interests first, there is a potential conflict of interest in that any compensation received by CLW, either direct or indirect, for the recommendation of separate account managers or investment products to advisory clients may be viewed as being in the best interest of CLW as opposed to being in the best interest of the client.

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

#### **A. Code of Ethics Description**

In accordance with the Advisers Act, CLW has adopted policies and procedures designed to detect and prevent insider trading. In addition, CLW has adopted a Code of Ethics (the "Code"). Among other things, the Code includes written procedures governing the conduct of CLW's advisory and access persons. The Code also imposes certain reporting obligations on persons subject to the Code. The Code and applicable securities transactions are monitored by the chief compliance officer of CLW. CLW will send clients a copy of its Code of Ethics upon written request.

CLW has policies and procedures in place to ensure that the interests of its clients are given preference over those of CLW, its affiliates, and its employees. For example, there are policies in place to prevent the misappropriation of material non-public information, and such other policies and procedures reasonably designed to comply with federal and state securities laws.

#### **B. Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest**

CLW does not engage in principal trading (i.e., the practice of selling stock to advisory clients from a firm's inventory or buying stocks from advisory clients into a firm's inventory). In addition, CLW does not recommend any securities to advisory clients in which it has some proprietary or ownership interest.



### **C. Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest**

CLW, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may purchase the same securities as are purchased for clients in accordance with its Code of Ethics policies and procedures. The personal securities transactions by advisory representatives and employees may raise potential conflicts of interest when they trade in a security that is: owned by the client, or considered for purchase or sale for the client.

Such conflict generally refers to the practice of front-running (trading ahead of the client), which CLW specifically prohibits. CLW has adopted policies and procedures that are intended to address these conflicts of interest. These policies and procedures: require our advisory representatives and employees to act in the client's best interest, prohibit front-running, and provide for the review of transactions to discover and correct any trades that result in an advisory representative or employee benefitting at the expense of a client.

Advisory representatives and employees must follow CLW's procedures when purchasing or selling the same securities purchased or sold for the client.

### **D. Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest**

CLW, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may effect securities transactions for their own accounts that differ from those recommended or effected for other CLW clients. CLW will make a reasonable attempt to trade securities in client accounts at or prior to trading the securities in its affiliate, corporate, employee or employee-related accounts. Trades executed the same day will likely be subject to an average pricing calculation (please refer to Item 12.B.3 Order Aggregation). It is the policy of CLW to place the client's interests above those of CLW and its employees.

## **Item 12: Brokerage Practices**

### **A. Factors Used to Select Broker-Dealers for Client Transactions**

#### **A.1. Custodian Recommendations**

We recommend the brokerage and custodial services of Cabot Lodge Securities LLC. ("CLS"), our affiliated broker-dealer and its clearing firms, RBC Correspondent Services ("RBC") and Pershing Advisor Solutions ("Pershing"), and Scottrade, Inc., all members of FINRA and SIPC. We believe that Cabot Lodge Securities LLC., RBC, Pershing and Scottrade provide quality execution services for you at competitive prices. Price is not the sole factor we consider in evaluating best execution. We also consider the quality of the brokerage services provided by CLS. RBC, Pershing and Scottrade, the firms' reputation, execution capabilities, any research provided, commission rates, and responsiveness to our clients and our firm. You may pay higher commissions and/or trading costs than those that may be available elsewhere.



Persons providing investment advice on behalf of CLW who are registered representatives of CLS may recommend CLS to you for brokerage services. These individuals are subject to applicable rules that restrict them from conducting securities transactions away from CLS unless CLS provides the representative with written authorization to do so. Therefore, these individuals are generally limited to conducting securities transactions through CLS or approved custodians. CLS may charge higher transaction costs and/or custodial fees than another broker for the same types of services. You may utilize the broker-dealer of your choice and have no obligation to purchase or sell securities through CLS or any other broker-dealer or custodian we recommend. However, if you do not use CLS or approved custodians, we may not be able to accept your account.

For CLW client accounts maintained in its custody, the custodian generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through the custodian or that settle into custodian accounts.

### **Soft Dollar Arrangements**

CLW does not utilize soft dollar arrangements. CLW does not direct brokerage transactions to executing brokers for research and brokerage services.

### **Institutional Trading and Custody Services**

The custodians provide CLW with access to its institutional trading and custody services, which may not be available to the custodian's retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a certain minimum amount of the advisor's clients' assets are maintained in accounts at the custodian. These services are not contingent upon CLW committing to the custodian any specific amount of business (assets in custody or trading commissions). The custodian's brokerage services include the execution of securities transactions, 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.

### **Other Products and Services**

The custodians may also make available to CLW software and other technology that provide access to client account data (such as trade confirmations and account statements) facilitate trade execution and allocate aggregated trade orders for multiple client accounts provide research, pricing, and other market data facilitate payment of CLW's fees from its clients' accounts assist with back-office functions, recordkeeping, and client reporting. The custodian may also offer other services intended to help CLW manage and further develop its business enterprise. These services may include compliance, legal, and business consulting publications and conferences on practice management and business succession access to employee benefits providers, human capital consultants, and insurance providers. The custodian may make available, arrange, and/or pay third-party vendors for the types of services rendered to CLW. The custodian may discount or waive fees it would otherwise charge for some of these services or all or a part of the fees of a third-party providing these services to CLW. The custodians may also provide other benefits such as educational events or occasional business entertainment of CLW personnel. In evaluating whether to recommend that clients custody their assets at the custodian, CLW may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers, and not solely the nature, cost, or quality of custody and brokerage services provided by the custodian, which may create a potential conflict of interest.

## **Independent Third Parties**

In addition, the custodians may make available, arrange, and/or pay for these types of services rendered to CLW by independent third parties. The custodian 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 CLW. As a fiduciary, CLW endeavors to act in its clients' best interests. CLW's recommendation that clients maintain their assets in accounts at the custodian may be based in part on the benefit to CLW 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 the custodians, which may create a potential conflict of interest.

In certain instances and subject to approval by CLW, CLW will recommend to clients certain other broker-dealers and/or custodians, who shall be properly licensed, based on the needs of the individual client, and taking into consideration the nature of the services required, the experience of the broker-dealer or custodian, the cost and quality of the services, and the reputation of the broker-dealer or custodian. The final determination to engage a broker-dealer or custodian recommended by CLW will be made by and in the sole discretion of the client. The client recognizes that broker-dealers and/or custodians have different cost and fee structures and trade execution capabilities. As a result, there may be disparities with respect to the cost of services and/or the transaction prices for securities transactions executed on behalf of the client. Clients are responsible for assessing the commissions and other costs charged by broker-dealers and/or custodians.

## **Additional Compensation Received from Custodians**

CLW may participate in institutional customer programs sponsored by broker-dealers or custodians. CLW may recommend these broker-dealers or custodians to clients for custody and brokerage services. There is no direct link between CLW's participation in such programs and the investment advice it gives to its clients, although CLW receives economic benefits through its participation in the programs that are typically not available to retail investors. These benefits may include the following products and services (provided without cost or at a discount):

- Receipt of duplicate client statements and confirmations
- Research-related products and tools
- Consulting services
- Access to a trading desk serving CLW participants
- Access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts)
- The ability to have advisory fees deducted directly from client accounts
- Access to an electronic communications network for client order entry and account information
- Access to mutual funds with no transaction fees and to certain institutional money managers
- Discounts on compliance, marketing, research, technology, and practice management products or services provided to CLW by third-party vendors

The custodians may also pay for business consulting and professional services received by CLW's related persons, and may pay or reimburse expenses (including travel, lodging, meals and entertainment expenses for CLW's personnel to attend conferences). Some of the products and services made available by such custodians through their institutional customer programs may benefit CLW but may not benefit its client accounts. These products or services may assist CLW in managing and administering client accounts, including accounts not maintained at the custodian as applicable. Other services made available through

the programs are intended to help CLW manage and further develop its business enterprise. The benefits received by CLW or its personnel through participation in these programs do not depend on the amount of brokerage transactions directed to the broker-dealer.

CLW also participates in similar institutional advisor programs offered by other independent broker-dealers or trust companies, and its continued participation may require CLW to maintain a predetermined level of assets at such firms. In connection with its participation in such programs, CLW will typically receive benefits similar to those listed above, including research, payments for business consulting and professional services received by CLW's related persons, and reimbursement of expenses (including travel, lodging, meals and entertainment expenses for CLW's personnel to attend conferences sponsored by the broker-dealer or trust company).

As part of its fiduciary duties to clients, CLW endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by CLW or its related persons in and of itself creates a potential conflict of interest and may indirectly influence CLW's recommendation of broker-dealers such as Cabot Lodge Securities LLC, and its clearing firm Pershing, for custody and brokerage services.

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

CLW does not engage in the practice of directing brokerage commissions in exchange for the referral of advisory clients.

## **A.3. Directed Brokerage**

### **CLW Recommendations**

CLW typically recommends Cabot Lodge Securities LLC, and its clearing firms Pershing and RBC, or Scottrade as custodian for clients' funds and securities and to execute securities transactions on its clients' behalf.

### **Client-Directed Brokerage**

Occasionally, clients may direct CLW to use a particular broker-dealer to execute portfolio transactions for their account or request that certain types of securities not be purchased for their account. Clients who designate the use of a particular broker-dealer should be aware that they will lose any possible advantage CLW derives from aggregating transactions. Such client trades are typically effected after the trades of clients who have not directed the use of a particular broker-dealer. CLW loses the ability to aggregate trades with other CLW advisory clients, potentially subjecting the client to inferior trade execution prices as well as higher commissions.

## **B. Aggregating Securities Transactions for Client Accounts**

### **B.1. Best Execution**

CLW, pursuant to the terms of its investment advisory agreement with clients, has discretionary authority to determine which securities are to be bought and sold, the price of such securities, the executing broker, and the commission rates to be paid to effect such transactions. CLW recognizes that the analysis of execution quality involves a number of factors, both qualitative and quantitative. CLW will follow a process in an attempt to ensure that it is seeking to obtain the most favorable execution under the prevailing circumstances when placing client orders. These factors include but are not limited to the following:

- The financial strength, reputation and stability of the broker
- The efficiency with which the transaction is effected
- The ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any)
- The availability of the broker to stand ready to effect transactions of varying degrees of difficulty in the future
- The efficiency of error resolution, clearance and settlement
- Block (aggregating) trading and positioning capabilities
- Performance measurement
- Online access to computerized data regarding customer accounts
- Availability, comprehensiveness, and frequency of brokerage and research services
- Commission rates
- The economic benefit to the client
- Related matters involved in the receipt of brokerage services
- Consistent with its fiduciary responsibilities, CLW seeks to ensure that clients receive best execution with respect to clients' transactions by blocking client trades to reduce commissions and transaction costs. To the best of CLW's knowledge, these custodians provide high-quality execution, and CLW's clients do not pay higher transaction costs in return for such execution.
- Commission rates and securities transaction fees charged to effect such transactions are established by the client's independent custodian and/or broker-dealer. Based upon its own knowledge of the securities industry, CLW believes that such commission rates are competitive within the securities industry. Lower commissions or better execution may be able to be achieved elsewhere.

## **B.2. Security Allocation**

Since CLW may be managing accounts with similar investment objectives, CLW may aggregate orders for securities for such accounts. In such event, allocation of the securities so purchased or sold, as well as expenses incurred in the transaction, is made by CLW in the manner it considers to be the most equitable and consistent with its fiduciary obligations to such accounts.

CLW's allocation procedures seek to allocate investment opportunities among clients in the fairest possible way, taking into account the clients' best interests. CLW will follow procedures to ensure that allocations do not involve a practice of favoring or discriminating against any client or group of clients. Account performance is never a factor in trade allocations.

CLW's advice to certain clients and entities and the action of CLW for those and other clients are frequently premised not only on the merits of a particular investment, but also on the suitability of that investment for the particular client in light of his or her applicable investment objective, guidelines and circumstances. Thus, any action of CLW with respect to a particular investment may, for a particular client, differ or be opposed to the recommendation, advice, or actions of CLW to or on behalf of other clients.

## **B.3. Order Aggregation**

Orders for the same security entered on behalf of more than one client will generally be aggregated (i.e., blocked or bunched) subject to the aggregation being in the best interests of all participating clients. Subsequent orders for the same security entered during the same trading day may be aggregated with any previously unfilled orders. Subsequent orders may also be aggregated with filled orders if the market

price for the security has not materially changed and the aggregation does not cause any unintended duration exposure. All clients participating in each aggregated order will receive the average price and, subject to minimum ticket charges and possible step outs, pay a pro rata portion of commissions.

To minimize performance dispersion, “strategy” trades should be aggregated and average priced. However, when a trade is to be executed for an individual account and the trade is not in the best interests of other accounts, then the trade will only be performed for that account. This is true even if CLW believes that a larger size block trade would lead to best overall price for the security being transacted.

#### **B.4. Allocation of Trades**

All allocations will be made prior to the close of business on the trade date. In the event an order is “partially filled,” the allocation will be made in the best interests of all the clients in the order, taking into account all relevant factors including, but not limited to, the size of each client’s allocation, clients’ liquidity needs and previous allocations. In most cases, accounts will get a pro forma allocation based on the initial allocation. This policy also applies if an order is “over-filled.”

CLW acts in accordance with its duty to seek best price and execution and will not continue any arrangements if CLW determines that such arrangements are no longer in the best interest of its clients.

#### **B.5. Trade Errors**

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Clients will not share in any profit or loss associated with the error.

### **Item 13: Review of Accounts**

A CL Wealth Management investment adviser representative works directly with each client or account. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. The representative will monitor portfolio management accounts on an ongoing basis and will conduct a review of the account at least annually. 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. In addition a client may request an additional review at any time. Accounts are also reviewed at least annually by executive members of the firm.

Accounts managed by third party managers will be reviewed by representatives on at least an annual basis.

Each client receives periodic written transaction statements and investment reviews. The normal statement review cycle is at least quarterly. Written reports for accounts managed by third party managers are generated by that third party manager or by the qualified custodian holding the account. Written reports for portfolio management accounts are prepared and distributed to clients by the qualified custodian where the account is held.

Investment adviser representatives will review your financial plan periodically upon your request for a separate fee to ensure that the planning advice remains consistent with your current stated investment needs and objectives. Written updates to the financial plan may be provided in conjunction with the

review. We will not provide regular written reports to you for financial planning and consulting services unless you elect to purchase update services.

Investment adviser representatives will review your financial plan periodically upon your request for a separate fee to ensure that the planning advice remains consistent with your current stated investment needs and objectives. Written updates to the financial plan may be provided in conjunction with the review. We will not provide regular written reports to you for financial planning and consulting services unless you elect to purchase update services.

## **Item 14: Client Referrals and Other Compensation**

### **A. Economic Benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest**

CLW has a relationship with Cabot Lodge Securities LLC, its clearing firms Pershing and RBC Correspondent Services and with several third-party advisers. From time to time, CLW representatives may attend a training or sales meeting presented by one of these companies. Breakfast or lunch may be provided, and representatives may also receive trinkets, of little or no value, displaying the third party's logo.

CLW may also receive research from Pershing and/ or RBC, qualified custodians which we recommend to clients. Such research is not conditioned on any specific level of commissions and is provided to us as an incidental benefit for utilizing Pershing and/ or RBC as a custodian.

From time to time, we may receive research or market commentary from any of our third-party managers. Such research is not conditioned on any specific level assets placed with any manager and is provided as an incidental benefit for having that manager on our platform.

### **B. Advisory Firm Payments for Client Referrals**

CLW does not pay for client referrals and does not receive any compensation other than advisory fees charged to its clients.

## **Item 15 Custody**

All client funds and securities are held by a qualified custodian. Client statements are sent directly to the client by the qualified custodian. Each client should carefully review every statement sent by the qualified custodian. Clients are urged to compare statements received from the qualified custodian to any statement generated by CL Wealth Management.

## **Item 16 Investment Discretion**

Before we can buy or sell securities on your behalf in a discretionary manner, you must authorize this limited discretion by signing our discretionary management agreement, along with the appropriate trading authorization forms.

You may grant our firm discretion over the selection and amount of securities to be purchased or sold for your account(s) without obtaining your consent or approval prior to each transaction. You may specify investment objectives, guidelines, and/or impose certain conditions or investment parameters for your account(s). For example, you may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio and/or restrictions or prohibitions of transactions in the securities of a specific industry or security. Please refer to the *Advisory Business* section in this brochure for more information on our discretionary management services.

If you enter into non-discretionary arrangements with our firm, we must obtain your approval prior to the execution of any transactions for your account. You have an unrestricted right to decline any recommendations provided by our firm.

Accounts of clients who use the services of a third party manager or advisor are managed on a discretionary basis. To a varying degree, some of these managers allow clients to place restrictions on their discretionary authority. A full description of the restrictions and limitations a client can place on a manager is fully disclosed in the manager's brochure that is given to the client. Third party managers require clients to sign a limited power of attorney which gives them investment discretion.

## **Item 17 Voting Client Securities**

For accounts managed by CL Wealth Management, annual reports and proxies are sent directly to the client by the qualified custodian where the account is maintained. CL Wealth Management neither votes client securities nor gives advice on voting of proxies.

Third party managers may or may not vote client securities. Please consult the applicable third party manager's disclosure documents for information on proxy voting policies.

## **Item 18 Financial Information**

Our firm does not have any financial condition or impairment that would prevent us from meeting our contractual commitments to you. We do not take physical custody of client funds or securities, or serve as trustee or signatory for client accounts, and we do not require the prepayment of more than \$1,200 in fees six months or more in advance. Therefore, we are not required to include a financial statement with this brochure.

## **Item 19 State Registration**

We are a federally registered investment adviser, and therefore this section is not applicable to CLW.