

# **Filomeno Wealth Management, LLC**

80 South Main Street  
West Hartford, CT 06107

Phone: (860) 561-0020

Fax: (860) 561-4347

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

**March 17, 2014**

## **FORM ADV PART 2A FIRM BROCHURE**

This brochure provides clients with information about the qualifications and business practices of Filomeno Wealth Management, LLC, an investment adviser registered with the U.S. Securities and Exchange Commission ("SEC"). The information in this brochure has not been approved or verified by the SEC or by any state securities authority. Registration does not imply that Filomeno Wealth Management, LLC or any individual providing investment advisory services on behalf of Filomeno Wealth Management, LLC possess a certain level of skill or training.

Please contact Linda Knierim, Chief Compliance Officer of Filomeno Wealth Management, LLC, if you have any questions about the contents of this brochure. Additional information about Filomeno Wealth Management, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for Filomeno Wealth Management, LLC is 145450.

## **Item 2 – Material Changes**

This item discusses specific material changes to the Filomeno Wealth Management, LLC disclosure brochure.

Pursuant to current requirements Filomeno Wealth Management, LLC will ensure that clients receive a summary of any materials changes to this and subsequent brochures within 120 days of the close of the firm's fiscal year which occurs at the end of the calendar year. Filomeno Wealth Management, LLC may further provide other ongoing disclosure information about material changes as necessary.

Filomeno Wealth Management, LLC will also provide clients with a new brochure as necessary based on changes or new information, at any time, without charge.

This disclosure brochure has been materially modified from its prior version and contains new information for the benefit of clients and prospective clients. In this summary of material changes, Filomeno Wealth Management, LLC discusses only the material changes since March 31, 2013 the date when Filomeno Wealth Management, LLC last updated its brochure:

## **Item 4 – Advisory Business**

Filomeno Wealth Management, LLC has disclosed that it has entered into an arrangement with Private Capital Group, LLC, an investment adviser registered with the U.S. Securities and Exchange Commission, whereby PCG will provide sub-advisory services on behalf of Filomeno Wealth Management, LLC.

### Item 3 – Table of Contents

ITEM 2 – MATERIAL CHANGES.....	I
ITEM 3 – TABLE OF CONTENTS .....	II
ITEM 4 - ADVISORY BUSINESS .....	1
ITEM 5 - FEES AND COMPENSATION.....	4
ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT .....	7
ITEM 7 - TYPES OF CLIENTS.....	8
ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS .....	8
ITEM 9 - DISCIPLINARY HISTORY .....	13
ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS .....	13
ITEM 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING .....	14
ITEM 12 - BROKERAGE PRACTICES.....	15
ITEM 13 - REVIEW OF ACCOUNTS .....	20
ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION .....	21
ITEM 15 - CUSTODY.....	21
ITEM 16 - INVESTMENT DISCRETION .....	22
ITEM 17 - VOTING CLIENT SECURITIES .....	22
ITEM 18 - FINANCIAL INFORMATION.....	22
ITEM 19 – ADDITIONAL INFORMATION .....	23

## **Item 4 - Advisory Business**

### **A. The Company**

Filomeno Wealth Management, LLC is a Connecticut limited liability company that was founded in 2007 and has been registered with the SEC since 2007. Throughout this firm brochure, Filomeno Wealth Management, LLC is referred to as the “Company” or the “firm”.

The principal owner of the Company is Filomeno & Company, PC, which in turn is owned by the following individuals: Thomas J. Filomeno; James G. Russell; Judith E. Saunders; and George M. Thomson.

### **B. Advisory Services**

The Company provides the following advisory services:

#### Investment Management Services

The Company provides personalized investment management services which consists of giving continuous advice to a client or making investments for a client based on the individual needs of the client. Through personal discussions, during which a client's goals and objectives are established, the Company assesses the client's risk profile and investment guidelines.

The Company will create and manage a customized portfolio based on the client's risk profile and investment guidelines. These investment guidelines will be reflected in the client's investment policy statement. The Company will allocate the client's assets among various asset classes based on the client's risk tolerance. The Company's management of a client's account will be based on the client's investment objectives and guidelines. In general, the Company seeks to provide its clients with maximum after-tax, risk-adjusted returns over long term time horizons consistent with clients' investment objectives.

The Company will create a portfolio principally comprised of no-load mutual funds and exchange traded funds (commonly known as “ETFs”) in accordance with the investment objectives of the client. Each portfolio will be designed with the goal of meeting each client's individual needs. The mutual funds will be selected on the basis of any or all of the following criteria: the fund's performance history; the industry sector in which the fund invests; the track record of the fund's manager; the fund's investment objectives; the fund's management style and philosophy; the fund's tax efficiency; and the fund's management fee structure. Should a client desire to own, buy or sell individual securities, the Company will not be responsible for their selection, but may, nonetheless, provide related investment services to the client, including developing initial asset allocation recommendations taking the individual securities into consideration.

Investment management services are provided on both a discretionary and non-discretionary basis. For accounts managed on a discretionary basis, the client gives the Company full authority to manage the client's assets in accordance with what the Company deems to be in the client's best interest based on the client's investment objectives and guidelines) please see Item 16 – Investment Discretion – for additional disclosures on this subject). For accounts managed on a non-discretionary basis, the Company must obtain the client's approval prior to executing any transactions in the client's account. Clients will retain individual ownership of all securities in their account.

### Financial Planning Services

The Company also provides Financial Planning Services. Advice is rendered in the areas of cash flow and debt management, risk management, college funding, retirement planning, estate planning, tax planning, asset allocation, and investment selection. The Company gathers required information through in-depth personal interviews. Information gathered includes a client's current financial status, future goals and attitudes towards risk. Related documents supplied by the client are carefully reviewed, and a written report is prepared.

Typically, the financial plan will be presented to the client within 90 days of the contract date, provided that all information needed to prepare the financial plan has been promptly provided by the client.

Financial planning recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company. All financial planning recommendations are of a generic nature. In performing its services, the Company is not required to verify any information received from the client or from the client's other professionals and is expressly authorized to rely thereon.

Should a client choose to implement the financial planning recommendations contained in the plan, the Company may recommend its own services or that of other professionals (e.g., attorney, accountant, insurance agent, and/or stockbroker). Clients are advised that a conflict of interest exists if the Company recommends its own services. The client is under no obligation to act upon any of the recommendations made by the Company under a financial planning engagement and/or engage the services of any such recommended professional, including the Company or any of its related persons. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of the Company's recommendations.

### Consulting Services

Clients can also receive advice on a more limited basis. This may include advice on only an isolated area(s) of concern such as estate planning, retirement planning, reviewing a client's existing portfolio, or any other specific topic. The Company may also provide advice on non-securities matters. Generally, this is in connection with the rendering of estate planning, insurance, and/or annuity advice. Consulting recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company. All recommendations are of a generic nature.

### Educational Seminars and Workshops

The Company sponsors seminars and/or workshops of an educational and generic nature. A broad range of topics may be addressed in each seminar or workshop, including asset allocation, retirement planning, estate planning and other investment-related topics. The Company's seminars and workshops are educational in nature and do not involve the sale of investment or insurance products. Information presented will not be based on any one person's needs nor does the Company make specific recommendations or provide individualized investment advice to attendees.

### Sub-Advisers

The Company may also recommend that certain clients authorize the active discretionary management of a portion of their assets by independent money managers. The Company has

entered into a sub-advisory relationship with Private Capital Group, LLC (“PCG”), an investment adviser registered with the U.S. Securities and Exchange Commission. The Company has the discretion to terminate the sub-advisory relationship.

Under the sub-advisory arrangement, the Company will remain responsible for determining the client’s investment objectives and whether PCG’s investment management is suitable to meet such investment objectives. In addition to the Company’s firm brochure, the client shall also receive a copy of PCG’s firm brochure.

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

The Company offers a full range of investment advisory services which can be tailored to meet the specific needs of each client. In order to provide appropriately individualized services, the Company will work with the client to obtain information regarding the client’s financial circumstances, investment objectives, overall financial condition, income and tax status, personal and business assets, risk profile and other information regarding the client’s financial and investment needs.

The goals and objectives for each client are documented in a written Investment Policy Statement (the “IPS”). An IPS is created and updated as facts and circumstances change to establish a clear understanding between the client and the Company as to the investment objectives applicable to the client. The IPS will establish reasonable expectations, objectives and guidelines in the investment of the client’s assets; set forth an investment structure identifying permitted asset classes, initial target allocations and permissible ranges of deviation from initial target allocations for the portfolio; encourage effective communication between the client and the advisors of the Company and create the framework for a well-diversified asset mix that can be expected to generate acceptable long-term returns at a level of risk suitable to the client.

The Company will periodically review with clients their financial circumstances, investment objectives and risk profile. In order for the Company to provide effective advisory services, it is critical that clients provide accurate and complete information to the Company and inform the Company anytime such information needs to be updated or anytime there is a change in their financial circumstances, investment objectives and/or risk profile.

Generally, clients are permitted to impose reasonable restrictions on investing in certain securities or types of securities in their advisory accounts. A restriction request may not be honored if it is fundamentally inconsistent with the Company’s investment philosophy, runs counter to the client’s stated investment objectives, or would prevent the Company from properly servicing client accounts.

### **D. Wrap Fee Programs**

The Company does not provide investment management services to a wrap fee program(s). Under a wrap fee program, advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and transaction services (*e.g.*, execution of trades) are provided for one fee. This is different than traditional investment management programs whereby services are provided for a fee, but transaction services are billed separately on a per-transaction basis.

## **E. Assets Under Management**

As of December 31, 2013, the Company manages approximately \$ 58,065,382 in assets. Approximately \$ 43,719,157 is managed on a discretionary basis and \$ 14,346,225 is managed on a non-discretionary basis. These assets include traditional assets under management for which the Company receives a fee based upon a percentage of assets under management, as well as assets for which the Company provides clients with continuous investment advice, but are not subject to traditional fee arrangements, including 401(k) accounts. These assets do not include amounts for which the Company does not service a client on a regular or continuing basis.

## **Item 5 - Fees And Compensation**

### **A. Advisory Fees**

#### Investment Management Services Fees

The annual fee for both discretionary and non-discretionary Investment Management Services will be charged as a percentage of assets under management according to the following schedule:

<b>Assets Under Management</b>	<b>Maximum Annual Fee (%)</b>
First \$500,000	1.00%
Nest \$500,000	.80%
Greater than \$1,000,000	.60%

The Company will charge clients a minimum fee of \$5,000 per annum.

The Company's annual Investment Management Services fee is pro rated and paid quarterly, in advance (meaning that the custodian debits the client account as previously authorized before the three-month billing period has begun). The Investment Management Fee is based upon the market value of the assets on the last business day of the previous quarter. The first quarter's fee is due upon the execution of the investment management agreement and, in the event the investment management agreement is executed at any time other than the first day of a calendar quarter, the fee will be prorated based on the market value at the time cash is deposited or assets are transferred into the account, and the number of days remaining in the quarter.

The fee schedule may be modified or changed by the Company upon thirty (30) days prior written notice to the client. At such time, the new fee will become effective unless the client notifies the Company in writing that the account is to be closed.

#### Financial Planning and Consulting Services Fees

Financial Planning and Consulting services fees will be charged in one or both of two ways:

1. As a fixed fee, typically ranging from \$2,500 to \$8,000, depending on the nature and complexity of each client's circumstances and size of the financial plan; and/or
2. On an hourly basis calculated on a charge ranging from \$150 to \$340, depending on the nature and complexity of each client's circumstances, the size of the financial plan and the professional providing the service. An estimate for total hours will be

determined at the start of the advisory relationship and upon mutual agreement with the client.

Since financial planning/consulting is a discovery process, situations occur wherein the client is unaware of certain financial exposures or predicaments. In the event that the client's situation is substantially different than disclosed at the initial meeting, a revised fee will be provided for mutual agreement. The client must approve the change of scope in advance of the additional work being performed when a fee increase is necessary. Initial and ongoing financial planning services may be provided to certain investment management clients at no cost to the client.

#### Educational Seminars and Workshops Fees

The Company does not charge a fee for its educational seminars and workshops.

#### Sub-Advisory Fees

Clients' fees are not increased as the result of the sub-advisory relationship as the sub-advisory fee is paid directly by the Company.

#### *Important Note*

The Company retains the right to modify fees, including minimum account size, in its sole and absolute discretion, on a client-by-client basis. Factors considered include the complexity and nature of the advisory services provided, anticipated amount of assets to be placed under management, anticipated future additional assets, related accounts, portfolio style, and account composition. The specific fee schedule is identified in the advisory agreement entered into with the client. Discounts, not generally available to clients, may be offered to family members and friends of associated persons of the Company.

### **B. Payment Method**

#### Investment Management Services

Each quarter, the Company will notify the client's qualified custodian of the amount of the fee due and payable to the Company pursuant to the Company's fee schedule and advisory agreement. The qualified custodian will not validate or check the Company's fees, its corresponding calculation or the assets on which the fee is based unless the client has retained their services to do so. With the client's pre-approval, the qualified custodian will "deduct" the fee from the client's account or, if the client has more than one account, from the account the client has designated to pay the Company's advisory fees.

Each month, the client will receive a statement directly from the qualified custodian showing all transactions, positions and credits/debits into or from the client's account. Statements sent after quarter end will also reflect the advisory fee paid by the client to the Company.

#### Financial Planning/Consulting Services

##### *Hourly Fees*

A retainer of up to 50% of the estimated fee may be due at the inception of the advisory relationship, with the balance due upon completion of the financial planning or consulting services. The Company will issue the client an invoice for the firm's services and the client



will pay the Company by check or wire transfer within thirty (30) of the date of the invoice, or as negotiated and documented in the client's advisory agreement.

#### *Fixed Fees*

A retainer of up to 50% of the fee may be due at the inception of the advisory relationship, with the balance due upon completion of the financial planning or consulting services. The Company will issue the client an invoice for the firm's services and the client will pay the Company by check or wire transfer within thirty 30 days of the date of the invoice, or as negotiated and documented in the client's advisory agreement.

### **C. Additional Fees and Expenses**

#### Mutual Fund Fees and Exchange Traded Funds

All fees paid to the Company for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and Exchange Traded Funds to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay a deferred sales charge. A client could invest in a fund directly, without the services of the Company. In that case, the client would not receive the services provided by the Company which are designed, among other things, to assist the client in determining which funds are most appropriate to each client's financial condition and objectives. To the extent that client assets are invested in money market funds or cash positions, the fees for monitoring those assets are in addition to the fees included in the internal expenses of those funds paid to their own investment managers, which are fully disclosed in each fund's prospectus. Accordingly, the client should review both the fees charged by the funds and the fees charged by the Company to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

#### Trading and Other Costs

All fees paid to the Company for investment advisory services are separate and distinct from transaction fees charged by broker-dealers associated with the purchase and sale of mutual funds, Exchange Traded Funds, fixed-income and equity securities and options. In addition, fees do not include the services of any co-fiduciaries, accountants, custodians or attorneys. Please see the section entitled "Brokerage Practices" on page 15 of this firm brochure for additional information on brokerage and other transaction costs.

#### Professional Fees

Fees do not include the services of any co-fiduciaries, accountants, broker dealers or attorneys. Accordingly, the fees of any additional professionals engaged by a client, will be billed directly by such professional(s).

### **D. Termination and Refunds**

#### Investment Management Services

A client has the right to terminate an advisory agreement without penalty within five (5) business days after entering into such agreement. In addition, an advisory agreement may be terminated at any time, by either party, for any reason upon thirty (30) days prior written

notice to the other party. If an account is terminated during a calendar quarter, fees will be adjusted *pro rata* based upon the number of calendar days in the calendar quarter that the advisory agreement was effective.

When possible, the Company will credit a client's account for the amount of the refund. Otherwise, the Company will send a check to the client for the amount of the refund.

Upon notice of termination, the Company will await further instructions from the client as to what steps client requests to liquidate and / or transfer the investment and remit the proceeds. When the Company receives instructions from the client, the Company will notify the client's custodian, broker-dealer, mutual fund sponsors and others to liquidate and / or transfer all or a portion of the investment consistent with the client's instructions.

The Company is authorized to charge a client the applicable fee for up to thirty (30) days after account termination as reasonable compensation for the orderly winding up of the client's account.

#### Financial Planning/Consulting Services

If a client chooses to terminate financial planning or consulting services before they are completed, any work performed by the Company will be billed at the rate set forth in the advisory agreement, but will under no circumstance exceed the amount of any deposit received.

#### **E. Additional Compensation**

The Company and its associates are engaged for fee-only services and an effort is made to recommend "no-load" investments whenever possible. The Company does not accept commissions or compensation from any other source (*e.g.*, mutual funds, insurance products or any other investment product) and does not charge a mark-up on clients' securities transactions.

Neither the Company nor its associated persons receive "trailer" or 12b-1 fees from an investment company that the firm recommends. Fees charged by issuers are detailed in prospectuses or product descriptions and clients are encouraged to read these documents before investing. Clients always have the option to purchase recommended or similar investments through a service provider of their own choosing.

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

The Company does not accept performance-based fees or engage in side-by-side management. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. The Company's fees are calculated as described above in Item 5 - Fees and Compensation - and are not charged on the basis of a share of the capital gains upon, or capital appreciation of, the funds in a client's account.

## **Item 7 - Types of Clients**

### **Clients**

The Company generally provides investment advice to individuals, pension and profit sharing plans, trusts, estates, or charitable organizations. Client relationships vary in scope and length of service.

### **Engaging the Services of the Company**

All clients wishing to engage the Company for investment advisory services must first sign the applicable advisory agreement and sign/complete any other document or questionnaire provided by the Company. The advisory agreement describes the services and responsibilities of the Company to the client. It also outlines the Company's fee in detail.

In addition, clients must complete certain broker-dealer/custodial documentation. Upon completion of these documents, the Company will be considered engaged by the client. Clients will be responsible for ensuring that the Company is informed in a timely manner of changes in investment objectives and risk tolerance.

### **Conditions for Managing Accounts**

As a condition for starting and maintaining a relationship, the Company imposes a minimum investment size of \$500,000. The Company, in its sole discretion, may accept clients with smaller investments based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and *pro bono* activities. The Company will only accept clients with less than the minimum investment size if, in the sole opinion of the Company, the smaller investment size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. The Company may aggregate the investments of family members to meet the minimum investment size.

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

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

#### Methods of Analysis

The Company's security analysis and recommendations are generally limited to mutual and exchange traded funds. The Company reviews analytical data on these funds using information available through Morningstar Advisor Workstation, fund prospectuses, Schwab's Mutual Fund Marketplace and articles from a variety of industry publications. In addition, the Company has developed search criteria it uses in the selection of specific mutual and exchange traded funds when conducting searches. The Company utilizes both passively (index funds) and actively managed funds. In selecting securities, the Company focuses on funds that have low expense ratios, are no-load, are tax efficient, have continuity of management for actively managed funds and provide a correlation benefit as part of a managed investment.

### Investment Strategies

The primary investment strategy for a specific client is based upon the objectives identified by the client during consultations. Each client signs an investment policy statement that documents their objectives and their agreed upon investment strategy.

The Company will develop a strategic and tactical asset allocation for each client based upon the client's investment objectives and other information documented in the investment policy statement. The Company's investment process is based upon the principle that investing is generally a long-term proposition. The Company focuses on factors that can be controlled such as minimizing trading costs, taxes and management fees; allocating investments among stocks, bonds and cash based on a strategic written plan; and utilizing diversified investments to implement the plan. The investment strategy also strives for a low investment turnover, but still rebalancing asset allocation to adhere to plan and replacing investments no longer meeting our selection criteria. The Company also monitors asset allocation and takes tactical advantage of asset class or industry sector buying or selling opportunities and coordinates year-end tax planning with investment activity.

### Sources of Information

In conducting its security analysis, the Company may utilize the following sources of information: financial newspapers and magazines, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses, filings with the U.S. Securities and Exchange Commission, data services, and company press releases.

### Investing Involves Risk

Investing in securities involves risk of loss that each client should be prepared to bear. The value of a client's investment may be affected by one or more of the following risks, any of which could cause a client's investment return, the price of the investment's shares or the investment's yield to fluctuate:

- *Market Risk.* The value of investment assets will fluctuate as the stock or bond market fluctuates. The value of investments may decline, sometimes rapidly and unpredictably, simply because of economic changes or other events that affect large portions of the market.
- *Management Risk.* A client's investment is subject to management risk because it is actively managed by the Company's investment professionals. The Company will apply its investment techniques and risk analysis in making investment decisions for a client's investment, but there is no guarantee that these techniques and the Company's judgment will produce the intended results.
- *Quantitative Tools Risk.* Some of the Company's investment techniques may incorporate, or rely upon, quantitative models. There is no guarantee that these models will generate accurate forecasts, reduce risks or otherwise produce the intended results.
- *Interest Rate Risk.* Changes in interest rates will affect the value of a investment's investments in fixed-income securities. When interest rates rise, the value of investments in fixed-income securities tend to fall and this decrease in value may not be offset by higher income from new investments. Interest rate risk is generally greater for fixed-income securities with longer maturities or durations.

- *Credit Risk.* An issuer or guarantor of a fixed-income security, or the counterparty to a derivatives or other contract, may be unable or unwilling to make timely payments of interest or principal, or to otherwise honor its obligations. The issuer or guarantor may default causing a loss of the full principal amount of a security. The degree of risk for a particular security may be reflected in its credit rating. There is the possibility that the credit rating of a fixed-income security may be downgraded after purchase, which may adversely affect the value of the security. Investments in fixed-income securities with lower ratings tend to have a higher probability that an issuer will default or fail to meet its payment obligations.
- *Allocation Risk.* The allocation of investments among different asset classes may have a significant effect on investment value when one of these asset classes is performing more poorly than the others. As investments will be periodically reallocated, there will be transaction costs which may be, over time, significant. In addition, there is a risk that certain asset allocation decisions may not achieve the desired results and, as a result, a client's investment may incur significant losses.
- *Foreign (Non-U.S.) Risk.* A investment's investments in securities of non-U.S. issuers may involve more risk than those of U.S. issuers. These securities may fluctuate more widely in price and may be less liquid due to adverse market, economic, political, regulatory or other factors.
- *Emerging Markets Risk.* Securities of companies in emerging markets may be more volatile than those of companies in developed markets. By definition, markets, economies and government institutions are generally less developed in emerging market countries. Investment in securities of companies in emerging markets may entail special risks relating to the potential for social instability and the risks of expropriation, nationalization or confiscation. Investors may also face the imposition of restrictions on foreign investment or the repatriation of capital and a lack of hedging instruments.
- *Currency Risk.* Fluctuations in currency exchange rates may negatively affect the value of an investment's investments or reduce its returns.
- *Derivatives Risk.* Certain strategies involve the use of derivatives to create market exposure. Derivatives may be illiquid, difficult to price and leveraged so that small changes may produce disproportionate losses for a client's investment and may be subject to counterparty risk to a greater degree than more traditional investments. Because of their complex nature, some derivatives may not perform as intended. As a result, an investment may not realize the anticipated benefits from a derivative it holds or it may realize losses. Derivative transactions may create investment leverage, which may increase an investment's volatility and may require the investment to liquidate investment securities when it may not be advantageous to do so.
- *Capitalization Risk.* Investments in small- and mid-capitalization companies may be more volatile than investments in large-capitalization companies. Investments in small-capitalization companies may have additional risks because these companies have limited product lines, markets or financial resources.
- *Liquidity Risk.* Liquidity risk exists when particular investments are difficult to purchase or sell, possibly preventing the Company from selling out of such illiquid securities at an advantageous price. Derivatives and securities involving substantial market and credit risk also tend to involve greater liquidity risk.
- *Issuer Specific Risk.* The value of an equity security or debt obligation may decline in response to developments affecting the specific issuer of the security or obligation,

even if the overall industry or economy is unaffected. These developments may comprise a variety of factors, including, but not limited to, management issues or other corporate disruption, political factors adversely affecting governmental issuers, a decline in revenues or profitability, an increase in costs, or an adverse effect on the issuer's competitive position.

- *Concentrated Investments Risk.* Certain investment strategies focus on particular asset classes, countries, regions, industries, sectors or types of investments. Concentrated investments are an aggressive and highly volatile approach to trading and investing. Concentrated investments hold fewer different stocks than a diversified investment and are much more likely to experience sudden dramatic prices swings. In addition, the rise or drop in price of any given holding is likely to have a larger impact on investment performance than a more broadly diversified investment.
- *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.

## **B. Risks Associated with Investment Strategies and Methods of Analysis**

### *Risk Associated with Investment Strategies*

Using a long-term purchase strategy generally assumes the financial markets will go up in the long-term which may not be the case. There is also the risk that the segment of the market that you are invested in or your particular investments will decrease in value even if the overall financial markets advance. Purchasing investments long-term may create an opportunity cost (e.g., "locking-up" assets that may be better utilized in the short-term in other investments).

### *Risk Associated with Methods of Analysis*

The analysis of securities requires subjective assessments and decision-making by experienced investment professionals, however, there is always the risk of an error in judgment.

The Company's securities analysis methods rely on the assumption that the companies whose securities the firm purchases and sells, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While the Company is alert to indications that data may be incorrect, there is always the risk that the firm's analysis may be compromised by inaccurate or misleading information.

## **C. Risks Associated with Specific Securities Utilized**

### Exchange Traded Funds (ETFs)

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV.

An ETF holds an investment of securities designed to track a particular market segment or index. Some examples of ETFs are SPDRs®, DIAMONDS<sup>sm</sup>, NASDAQ 100 Index Trading Stock<sup>sm</sup> (“QQQs<sup>sm</sup>”), iShares® and VIPERS®.

ETFs are subject to risks similar to those of stocks. Investment returns will fluctuate and are subject to market volatility, so that when shares are sold they may be worth more or less than their original cost. ETF shares are bought and sold at market price (not Net Asset Value) and are not individually redeemed from the fund. There is also the risk that a manager may deviate from the stated investment mandate or strategy of the ETF which could make the holdings less suitable for a client’s investment. ETFs may also carry additional expenses based on their share of operating expenses and certain brokerage fees, which may result in the potential duplication of certain fees. In addition, while many ETFs are known for their potential tax efficiency and higher “qualified dividend income” (QDI) percentages, there are assets classes within these ETFs or holding periods that may not benefit. Shorter holding periods, as well as commodities and currencies that may be part of an ETF’s investment, may be considered “non-qualified” under certain tax code provisions.

There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

#### Mutual Funds - Equity Funds

The major risks associated with investing in equity mutual funds is similar to the risks associated with investing directly in equity securities, including market risk, which is the risk that investment returns will fluctuate and are subject to market volatility, so that an investor’s shares, when redeemed or sold, may be worth more or less than their original cost. Other risks include the quality and experience of the investment 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, there is the risk that a manager may deviate from the stated investment mandate or strategy of the mutual fund which could make the holdings less suitable for a client’s portfolio. Also, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold their shares in the fund. Mutual funds may also carry additional expenses based on their share of operating expenses and certain brokerage fees, which may result in the potential duplication of certain fees.

#### Mutual Funds - Fixed-Income Funds

In addition to the risks associated with investing in equity mutual funds, fixed-income mutual funds may be affected the various additional forms of risk attributable to fixed-income securities, including:

- *Interest Rate Risk.* The risk that the value of the fixed-income holding will decrease because of an increase in interest rates.
- *Liquidity Risk.* The inability to readily buy or sell an investment for a price close to the true underlying value of the asset due to a lack of buyers or sellers. While certain types of fixed-income securities are generally liquid (e.g., corporate bonds), there are risks which may occur such as when an issue trading in any given period does not readily support buys and sells at an efficient price. Conversely, when trading volume

is high, there is also the risk of not being able to purchase a particular issue at the desired price.

- *Credit Risk.* The potential risk that an issuer would be unable to pay scheduled interest or repay principal at maturity, sometimes referred to as “default risk.” Credit risk may also occur when an issuer’s ability to make payments of principal and interest when due is interrupted. This may result in a negative impact on all forms of debt instruments.
- *Reinvestment Risk.* With declining interest rates, investors may have to reinvest income or principal at a lower rate.
- *Duration Risk.* Duration is a measure of a bond’s volatility, expressed in years to be repaid by its internal cash flow (interest payments). Bonds with longer durations carry more risk and have higher price volatility than bonds with shorter durations.

### Mutual Funds - Index Funds

Index Funds have the potential to be affected by “tracking error risk” which means a deviation from a stated benchmark index. Since the core of a portfolio may attempt to closely replicate a benchmark, the source of the tracking error (deviation) may come from a “sample index” that may not closely align the benchmark. In addition, while many index mutual funds are known for their potential tax efficiency and higher “qualified dividend income” (QDI) percentages, there are assets classes within these funds or holding periods that may not benefit. Shorter holding periods, as well as commodities and currencies that may be part of a fund’s portfolio, may be considered “non-qualified” under certain tax code provisions.

**Note that there may be other circumstances not described here that could adversely affect a client’s investment and prevent their portfolio from reaching its objective.**

### **Item 9 - Disciplinary History**

The Company is required to disclose any legal or disciplinary events that are material to a client’s or a prospective client’s evaluation of the firm’s advisory business or the integrity of the Company’s management. The Company has no disclosures to make pursuant to this Item.

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

#### **A. Broker-Dealer Registration and Registered Representatives**

The Company is not registered, nor does it have an application pending to register, as a broker-dealer. No management person is registered, nor does any management person have an application pending to register, as a registered representative of a broker-dealer.

#### **B. Futures and Commodity Registration**

The Company is not registered, nor does it have an application pending to register, as a futures commission merchant, commodity pool operator or a commodity trading advisor. No management person is registered, nor does any management person have an application pending to register, as an associated person of a futures commission merchant, commodity pool operator or a commodity trading advisor.



### **C. Financial Industry Affiliations**

The principal business of the Company is providing investment advisory services. The Company is owned by Filomeno & Company, PC, Certified Public Accountants and Business Advisors “Filomeno & Company”). All investment adviser representatives associated with the Company are also licensed as CPA’s of Filomeno & Company and spend a percentage of their time on such other activities.

Certain clients of the Company are also clients of Filomeno & Company. The Company compensates Filomeno & Company a fee for services. The employees of Filomeno & Company may recommend the Company to accounting clients in need of investment advisory services. The Company may recommend Filomeno & Company to clients in need of accounting services. Accounting services provided by Filomeno & Company are separate and distinct from investment advisory services of the Company and are provided for separate and typical compensation. No Company client is obligated to use Filomeno & Company for any accounting services, and, conversely, no accounting client is obligated to use the investment advisory services provided by the Company.

Certain clients of the Company are also clients of Filomeno & Company, and are billed separately for services provided by Filomeno & Company, such as tax planning and preparation. As previously stated, all of the investment adviser representatives of the Company are also associates of Filomeno & Company. In most cases, it is clear whether the service being provided relates to the accounting and tax services provided by the CPA firm or investment advisory services provided by the Company. If a service can be construed as investment related, the investment advisory representatives of the Company will assume the service is investment related in order to benefit the client from a fee perspective.

In certain instances, employees of Filomeno & Company act as trustee of clients of the Company. This presents a potential conflict of interest as Filomeno & Company has an incentive to choose the Company to manage the portfolio of the trust. In order to monitor these types of Trust accounts, the Company engages an independent public accountant to perform a surprise examination of those client accounts.

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

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

The Company has adopted a Code of Ethics to prevent violations of federal securities laws. The Company’s Code of Ethics is predicated on the principle that the Company owes a fiduciary duty to its clients. Accordingly, the Company expects all of its associated persons to act with honesty, integrity and professionalism and to adhere to federal securities laws. All officers, managers, directors, members and employees of the Company and any other person who provides advice on behalf of the Company and is subject to the Company’s control and supervision are required to adhere to the Code of Ethics. At all times, the Company and its associated persons must (i) place client interests ahead of the Company’s; (ii) engage in personal investing that is in full compliance with the Company’s Code of Ethics; and (iii) avoid taking advantage of their position. A copy of the Company’s Code of Ethics is available to any client or prospective client upon request.

## **B. Material Financial Interest**

The Company does not recommend to clients securities in which the Company or any related person has a material financial interest.

## **C. Invest in Same Securities as Clients**

The Company or individuals associated with the Company may buy, sell, or hold in their personal accounts the same securities that the Company recommends to its clients and in accordance with the Company's internal compliance procedures. To minimize conflicts of interest, and to maintain the fiduciary responsibility the Company has for its clients, the Company has established the following policy: An officer, manager, director, member or employee of the Company shall not buy or sell securities for a personal portfolio when the decision to purchase is derived by reason of their association with the Company, unless the information is also available to the investing public as a whole. No person associated with the Company shall prefer his or her own interest to that of any client. Personal trades in securities being purchased or sold for clients may only be made simultaneously with or after trades are made for clients. The Company's personnel may not anticipate trades to be placed for clients.

## **D. Engaging in Transactions at Same Time as Client**

The Company and/or individuals associated with the Company may, at or about the same time, buy, sell, or hold in their personal accounts the same securities that the Company recommends to its clients.

# **Item 12 - Brokerage Practices**

## **A. Brokerage Selection**

The Company generally has the authority to determine the broker-dealer to be used. The Company will generally recommend that clients utilize the brokerage and clearing services of Charles Schwab & Company, Inc. for Investment Management Services accounts.

### Best Execution

Best execution has been defined by the SEC as the "execution of securities transactions for clients in such a manner that the client's total cost or proceeds in each transaction is the most favorable under the circumstances." The best execution responsibility applies to the circumstances of each particular transaction and an investment adviser must consider the full range and quality of a broker-dealer's services, including, among other things, execution capability, commission rates, the value of any research, financial responsibility and responsiveness.

In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. Consistent with the foregoing, while the Company will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client transactions.

If the client requests the Company to arrange for the execution of securities brokerage transactions for the client's account; the Company shall direct such transactions through

broker-dealers that it reasonably believes will provide best execution. The Company shall periodically and systematically review its policies and procedures regarding recommending broker-dealers to its clients in light of its duty to obtain best execution.

#### Broker Analysis

The Company evaluates a wide range of criteria in seeking the most favorable price and market for the execution of transactions. These include the broker-dealer's trading costs, efficiency of execution and error resolution, financial strength and stability, capability, positioning and distribution capabilities, information in regard to the availability of securities, trading patterns, statistical or factual information, opinion pertaining to trading and prior performance in serving the Company.

Also in consideration is such broker-dealers' provision or payment of the costs of research and other investment management-related services (the provisional payment of such costs by brokers are referred to as payment made by "soft dollars", as further discussed in the "Research/Soft Dollars Benefits" section immediately below). Accordingly, if the Company determines in good faith that the amount of trading costs charged by a broker-dealer is reasonable in relation to the value of the brokerage and research or investment management-related services provided by such broker, the client may pay trading costs to such broker in an amount greater than the amount another broker might charge.

The Company's managing director is responsible for continuously monitoring and evaluation the performance and execution capabilities of brokers that transact orders for client accounts to ensure consistent quality executions. In addition, the Company periodically reviews its transaction costs in light of current market circumstances and other relevant information.

#### Research/Soft Dollar Benefits

##### *Overview*

The Company's use of soft dollars is intended to comply with the requirements of Section 28(e) of the Securities Exchange Act of 1934. Section 28(e) provides a "safe harbor" for investment managers who use commissions or transaction fees paid by their advised accounts to obtain investment research services that provide lawful and appropriate assistance to the manager in performing investment decision-making responsibilities. As required by Section 28(e), the Company will make a good faith determination that the amount of commission or other fees paid is reasonable in relation to the value of the brokerage and research services provided. That is, before placing orders with a particular broker, the Company will generally determine, considering all the factors described below, that the compensation to be paid to the broker is reasonable in relation to the value of all the brokerage and research products and services provided by the broker. In making this determination, the Company will typically consider not only the particular transaction or transactions, and not only the value of brokerage and research services and products to a particular client, but also the value of those services and products in the Company's performance of its overall responsibilities to all of its clients. In some cases, the commissions or other transaction fees charged by a particular broker-dealer for a particular transaction or set of transactions may be greater than the amounts another broker-dealer who did not provide research services or products might charge.

##### *Research and Brokerage Products and Services*

"Research" products and services the Company may receive from broker-dealers may include economic surveys, data, and analyses; financial publications; recommendations or other

information about particular companies and industries (through research reports and otherwise); and other products or services (e.g., computer services and equipment, including hardware, software, and data bases) that provide lawful and appropriate assistance to the Company in the performance of its investment decision-making responsibilities. Consistent with Section 28(e), brokerage products and services (beyond traditional execution services) may consist of computer services and software that permit the Company to effect securities transactions and perform functions incidental to transaction execution. The Company would generally use such products and services in the conduct of its investment decision-making generally, not just for those accounts whose commissions may be considered to have been used to pay for the products or services.

#### *Other Uses and Products*

The Company may use some products or services not only as "research" and as brokerage (e.g., to assist in making investment decisions for clients or to perform functions incidental to transaction execution), but for administrative and other purposes as well. In these instances, the Company will make a reasonable allocation of the cost of the products and services so that only the portion of the cost that is attributable to making investment decisions and executing transactions is paid with commission dollars and the Company bears the cost of the balance. The Company's interest in making such an allocation differs from clients' interest, in that the Company has an incentive to designate as much as possible of the cost as research and brokerage in order to minimize the portion that the Company must pay directly.

#### *Mutual Fund Transactions*

Although shares of no-load mutual funds can be purchased and redeemed without payment of transactions fees, the Company may, consistent with its duty of best execution, determine to cause client accounts to pay transaction fees that may be higher than those obtainable from other broker-dealers when purchasing shares of certain no-load mutual funds in order to obtain "research". This research may not be used for the exclusive benefit of the clients who pay transaction fees in purchasing mutual fund shares.

#### *Soft Dollar Products and Practices*

Schwab Advisor Services™ (formerly called Schwab Institutional) is Schwab's business serving independent investment advisory firms like the Company. They provide the Company and its clients with access to its institutional brokerage – trading, custody, reporting and related services – many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those help the Company manage or administer client accounts while others help the Company manage and grow its business. Schwab's support services generally are available on an unsolicited basis (the Company does not have to request them) and at no charge to the Company as long as a total of at least \$10 million of the Company's clients' assets are maintained in accounts at Schwab. If the Company's clients collectively have less than \$10 million in assets at Schwab, Schwab may charge the Company quarterly service fees of \$1,200.

#### Services That Benefit the Company's Clients

Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which the Company might not otherwise have access or that would require a significantly higher minimum initial investment by the

Company's clients. Schwab's services described in this paragraph generally benefit the client and the client's account.

#### Services That May Not Directly Benefit Clients

Schwab also makes available to the Company other products and services that benefit the Company but may not directly benefit the client or the client's account. These products and services assist the Company in managing and administering the clients' accounts. They include investment research, both Schwab's own and that of third parties. The Company may use this research to service all or a substantial number of the clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

1. Provide access to client account data (such as duplicate trade confirmations and account statements).
2. Facilitate trade execution and allocate aggregated trade orders for multiple client accounts.
3. Provide pricing and other market data.
4. Facilitate payment of the Company's fees from client accounts.
5. Assist with back office functions, recordkeeping and client reporting.

Services That Generally Benefit Only the Company. Schwab also offers other services intended to help the Firm manage and further develop its business enterprise. These services include:

1. Educational conferences and events.
2. Consulting on technology, compliance, legal and business needs.
3. Publications and conferences on practice management and business succession.
4. Access to employee benefits providers, human capital consultants and insurance providers.

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to the Company. Schwab may also discount or waive its fees for some of these services or pay all or a portion of a third party's fees. Schwab may also provide the Company with other benefits, such as occasional business entertainment of our personnel.

#### The Company's Interest in Schwab's Services

The availability of these services from Schwab benefits the Company because the Company does not have to produce or purchase them. The Company doesn't have to pay for Schwab's services so long as the Company's clients collectively keep a total of at least \$10 million of their assets in accounts at Schwab. Beyond that, these services are not contingent upon the Company committing any specific amount of business to Schwab in trading commissions or assets in custody. The \$10 million minimum may give the Company an incentive to recommend that clients maintain accounts with Schwab based on the Company's interest in receiving Schwab's services that benefit the Company's business rather than based on a client's interest in receiving the best value in custody services and the most favorable execution of transactions. This is a potential conflict of interest. The Company believes, however, that the selection of Schwab as custodian and broker is in the best interests of the Company's clients. The Company's selection is primarily supported by the scope, quality and price of Schwab's services and not Schwab's services that benefit only the Company. As of

December 31, 2012, the Company has over \$186 million in client assets under management, and the Company does not believe that recommending clients to collectively maintain at least \$10 million of those assets at Schwab in order to avoid paying Schwab quarterly service fees presents a material conflict of interest.

In order for the Company to provide qualified plan clients with Investment Management Services, the Company has a relationship with Retirement Alliance, Inc., a retirement plan record-keeper and service provider. The Company and Retirement Alliance, Inc. are not related and are independently owned and managed. The Company will recommend that a qualified plan client choose Retirement Alliance, Inc. as its record-keeper, although the client is not obligated to do so. Retirement Alliance, Inc. provides the Company with access to technology and administrative support that may benefit the Company's clients.

#### Directed Brokerage

##### *Company Directed Brokerage*

The Company does not have the discretionary authority to determine the broker-dealer to be used. As stated above, clients in need of brokerage will have Charles Schwab & Company, Inc. recommended to them. While there is no direct linkage between the investment advice given and usage of Charles Schwab & Company, Inc., economic benefits are received which would not be received if the Company did not give investment advice to clients (please see additional disclosures in the "Research/Soft Dollars Benefits" section directly above). The Company does not participate in any transaction fees or commissions paid to the broker-dealer or custodian and does not receive any fees or commissions for the opening or maintenance of client accounts at recommended brokers-dealers.

Not all investment advisers require their clients to direct brokerage. The Company is required to disclose that by directing brokerage, the Company may not be able to achieve most favorable execution of client transactions and this practice may cost clients more money.

##### *Client Directed Brokerage*

Certain clients may direct the Company to use particular brokers-dealers for executing transactions in their accounts. With regard to client directed brokerage, the Company is required to disclose that the Company may be unable to negotiate commissions, block or batch orders or otherwise achieve the benefits described above, including best execution. Directed brokerage commission rates may be higher than the rates the Company might pay for transactions in non-directed accounts. Therefore, directing brokerage may cost clients more money. The Company reserves the right to decline acceptance of any client account that directs the use of a broker-dealer if the Company believes that the broker-dealer would adversely affect the Company's fiduciary duty to the client and/or ability to effectively service the client portfolio.

As a general rule, the Company encourages each client to compare the possible costs or disadvantages of directed brokerage against the value of custodial or other services provided by the broker-dealer to the client in exchange for the directed brokerage designation.

#### **B. Trade Aggregation and Allocation**

The Company does not typically aggregate (e.g., combine) the trades of its clients as the Company does not typically recommend individual securities. The Company's decision not to

aggregate trades could cost a client more money in the form of higher brokerage commissions.

## **Item 13 - Review Of Accounts**

### **A. Periodic Reviews**

#### Investment Management Services

A detailed review is performed at least annually and includes an analysis of each portfolio's asset composition, style analysis, credit quality and sector weightings. Clients are serviced by a team of at least 3 individuals. The senior member establishes the client relationship, plans the engagement, reviews the investment plan and makes recommendations. The associate member supports the senior member by performing portfolio and investment analysis. The investment group administrator prepares reports and handles administrative functions. The number of accounts assigned to each senior member will not exceed fifty.

#### Financial Planning Services

While reviews may occur at different stages of the financial planning process depending on the nature and terms of the specific engagement, typically, no formal reviews will be conducted for Financial Planning Services clients unless otherwise contracted for at the inception of the advisory relationship.

#### Consulting Services

These client accounts will be reviewed as contracted for at the inception of the advisory relationship.

### **B. Other Reviews**

Other conditions that may trigger a review are changes in the tax laws, new investment information, or material changes in a client's own situation.

### **C. Reports**

#### Investment Management Services

Clients will receive a comprehensive monthly statement from Schwab Advisor Services™ showing the change in account value, asset composition, income summary, investment holdings and transaction detail. In addition, cost basis will be provided for taxable accounts. Annually clients will be provided Form 1099 that includes annual gain / loss information. Clients will receive detailed account performance reports on a quarterly basis from the Company.

#### Financial Planning Services

Financial Planning Services clients will typically receive a completed financial plan. Additional reports will not typically be provided unless otherwise contracted for at the inception of the advisory relationship.

### Consulting Services

Due to the nature of this service, the Company will not typically provide reports unless contracted for at the inception of the advisory relationship.

## **Item 14 - Client Referrals And Other Compensation**

### **A. Economic Benefits**

The Company does not receive any economic benefits such as sales awards or other prizes from any non-client for providing investment advisory services to the firm's clients.

### **B. Client Referrals**

Employees of Filomeno & Company, PC are compensated for referring clients to the Company for investment advisory services. The compensation paid is equal to 10% of first year fees collected. This program does not apply to engagements with projected annual fees of less than \$1,000 or non-recurring services.

If a client is introduced to the Company by a solicitor, including a CPA firm, the Company may pay that solicitor a referral fee. Any such referral fee shall be paid solely from the Company's investment advisory fee, and shall not result in any additional charge to the client. Any referral payments by the Company will be in compliance with the requirements of Section 206(4)-3 of the Investment Advisers Act of 1940, as amended, including the following: (i) the solicitation/referral fee is paid pursuant to a written agreement entered into between the Company and the solicitor; the solicitor will be required to provide the client with a copy of the Company's Form ADV Part 2A and a Solicitor Disclosure Brochure at the time the referral is made to the Firm; and the solicitor is not permitted to offer the client any investment advice on behalf of the Company. Clients' advisory fees will not be increased as a result of compensation being paid to the solicitor.

## **Item 15 - Custody**

Custody of client assets will be maintained with the independent custodian selected by the client. Clients will be solely responsible for paying all fees or charges of the custodian. Clients will authorize the Company to give the custodian instructions for the purchase, sale, conversion, redemption, exchange or retention of any security, cash or cash equivalent or other investment for the client's account.

Clients will receive directly from the custodian at least quarterly a statement showing all transactions occurring in the client's account during the period covered by the account statement, and the funds, securities and other property in the client's account at the end of the period. The account statement will also indicate the amount of advisory fees deducted from the client's account(s) for each billing period.

Client will also receive performance reports directly from the Company. Clients are urged to carefully review the account statement sent by the broker-dealer/custodian and to compare the account statement provided by the broker-dealer/custodian with any performance reports provided by the Company. The Company's account statements may vary from those sent by the broker-dealer/custodian based on accounting procedures, reporting dates and valuation methodologies of certain securities.



A member of the Company may serve as trustee for a client's account. Under those circumstances, the Company is deemed to have custody of that client's assets because the trustee has the authority to obtain possession of the assets. Under the custody rule, the Company is required to have a surprise audit of those assets. The Company has contracted with an unaffiliated certified public accountant to examine those assets on a surprise basis every year. To date, no issues have been noted in these exams.

### **Item 16 - Investment Discretion**

For those client accounts over which the Company has discretion, the Company requests that it be provided with written authority (*e.g.*, limited power of attorney contained in the Company's advisory agreement) to determine the types and amounts of securities that are bought or sold. The Company's authority in making investment related decisions may be limited by account guidelines, investment objectives and trading restrictions, as agreed between the Company and the client. Any limitations on the Company's discretionary authority shall be included in this written authority statement. Clients may change or amend these limitations as required. All such amendments are required to be submitted in writing.

### **Item 17 - Voting Client Securities**

The Company does not vote proxies on behalf of its clients. Therefore, although the Company may provide discretionary investment advisory services relative to client investment assets, it is the client that maintains exclusive responsibility for: (i) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted and (ii) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceeding or other type events pertaining to the client's investment assets. The Company and/or the client shall correspondingly instruct each custodian of the assets to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets. Clients can contact the Company if they have questions regarding a particular solicitation.

### **Legal Proceedings**

Although the Company may have discretion over client accounts, the Company will not be responsible for handling client claims in class action lawsuits or similar settlements involving securities owned by the client. Clients will receive the paperwork for such claims directly from their account custodians. Each client should verify with their custodian or other account administrator whether such claims are being made on the client's behalf by the custodian or if the client is expected to file such claims directly.

### **Item 18 - Financial Information**

#### **A. Prepayment of Fees**

Because the Company does not require or accept prepayment of more than \$1,200 in fees six months or more in advance, the Company is not required to include a balance sheet with this firm brochure.

#### **B. Financial Condition**

The Company does not have any financial condition that would impair the firm's ability to meet contractual and fiduciary commitments to its clients.

## **C. Bankruptcy**

The Company has never been the subject of a bankruptcy petition.

## **Item 19 – Additional Information**

### **Business Continuity Plan**

#### General

The Company has implemented a Business Continuity Plan that provides detailed steps to mitigate and recover from the loss of office space, communications, services or key people.

#### Disasters

The Business Continuity Plan covers natural disasters such as snow storms, hurricanes, tornados, and flooding. The Business Continuity Plan covers man-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat, nuclear emergency, chemical event, biological event, T-1 communications line outage, Internet outage, railway accident and aircraft accident. Electronic files are backed up daily and archived offsite.

In the event of a natural disaster, such as the loss of electrical power at the principal place of business of the Company, the Company will use its best efforts to ensure that its clients are timely informed of alternative methods of communicating with members of the Company or directly with the client's custodian. These communication methods may include the internet, email, voicemail, as well as prior written notification to clients.

### **Information Security Program**

The Company maintains an information security program to reduce the risk that your personal and confidential information may be breached.

### **Privacy Notice**

The Company is committed to maintaining the confidentiality, integrity and security of the personal information that is entrusted to us.

The categories of nonpublic information that we collect from you may include information about your personal finances, information about your health to the extent that it is needed for the financial planning process, information about transactions between you and third parties, and information from consumer reporting agencies, e.g., credit reports. We use this information to help you meet your personal financial goals.

With your permission, we disclose limited information to attorneys, accountants, and mortgage lenders with whom you have established a relationship. You may opt out from our sharing information with these nonaffiliated third parties by notifying us at any time by telephone, mail, fax, email, or in person. With your permission, we share a limited amount of information about you with your brokerage firm in order to execute securities transactions on your behalf.

We maintain a secure office to ensure that your information is not placed at unreasonable risk. We employ a firewall barrier, secure data encryption techniques and authentication procedures in our computer environment.

We do not provide your personal information to mailing list vendors or solicitors. We require strict confidentiality in our agreements with unaffiliated third parties that require access to your personal information, including financial service companies, consultants, and auditors. Federal and state securities regulators may review our Company records and your personal records as permitted by law.

Personally identifiable information about you will be maintained while you are a client, and for the required period thereafter that records are required to be maintained by federal and state securities laws. After that time, information may be destroyed.

We will notify you in advance if our privacy policy is expected to change. We are required by law to deliver this Privacy Notice to you annually, in writing.