

Piermont Wealth Management Inc.

SEC File Number: 801 – 61254

ADV Part 2A, Firm Brochure **Dated: March 27, 2015**

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This brochure provides information about the qualifications and business practices of Piermont Wealth Management Inc. If you have any questions about the contents of this brochure, please contact us at (516) 496-7800 or pcapell@piermontwealth.com. 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 Piermont Wealth Management Inc. also is available on the SEC's website at www.adviserinfo.sec.gov.

References herein to Piermont Wealth Management Inc. as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.

Item 2 Material Changes

Since the previous Annual Amendment filing on March 25, 2014, this ADV Part 2A, Firm Brochure has been amended to reflect updated clarifications and new disclosures at: Item 4 regarding mutual funds, retirement rollover accounts, and the discontinued use of third-party independent managers; and at Item 5 regarding tradeaway transactions.

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Item 4 **Advisory Business**

- A. Piermont Wealth Management Inc. (the “Registrant”) is a corporation formed in October 2000 in the State of New York. The Registrant became registered as an Investment Adviser Firm in June, 2002. The Registrant is owned by Philip J. Capell who is the Registrant’s President and Chief Compliance Officer.
- B. As discussed below, the Registrant offers to its clients (individuals, business entities, pension and profit sharing plans, trusts, estates and charitable organizations, etc.) investment advisory services, and, to the extent specifically requested by a client, financial planning and related consulting services, and retirement consulting services.

INVESTMENT ADVISORY SERVICES

The client can determine to engage the Registrant to provide discretionary and/or non-discretionary investment advisory services on a *fee-only* basis. The Registrant’s annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under the Registrant’s management. Before engaging the Registrant to provide investment advisory services, clients are required to enter into an *Investment Advisory Agreement* with Registrant setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the fee that is due from the client.

Before Registrant provides investment advisory services, an investment adviser representative will ascertain each client’s investment objectives. Thereafter, the Registrant will allocate and/or recommend that the client allocate investment assets consistent with the designated investment objectives. Once allocated, the Registrant provides ongoing monitoring and review of account performance and asset allocation as compared to client investment objectives.

FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)

To the extent specifically requested by a client, the Registrant *may* determine to provide financial planning and/or consulting services (including investment and non-investment related matters) on a stand-alone separate fixed fee basis. Registrant’s planning and consulting fees are negotiable depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s). Prior to engaging the Registrant to provide planning or consulting services, clients are generally required to enter into a *Financial Planning and Consulting Agreement* with Registrant setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to Registrant commencing services. If requested by the client, Registrant may recommend the services of other professionals for implementation purposes, including the Registrant’s President in his individual capacity as an attorney (*See* disclosure at Item 10 C). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** It remains the client’s responsibility

to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

MISCELLANEOUS

Non-Investment Consulting/Implementation Services. To the extent requested by the client, the Registrant *may* provide consulting services regarding non-investment related matters. Neither the Registrant, nor any of its representatives, serves as an accountant, or licensed insurance agent, and no portion of the Registrant's services should be construed as same. To the extent requested by a client, the Registrant may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.), including representatives of the Registrant in a separate capacity as a licensed attorney as discussed below. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** It remains the client's responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

Use of Mutual Funds: Most mutual funds are available directly to the public. Thus, a prospective client can obtain many of the mutual funds that may be recommended and/or utilized by the Registrant independent of engaging the Registrant as an investment advisor. However, if a prospective client determines to do so, he/she will not receive the Registrant's initial and ongoing investment advisory services.

Retirement Rollovers-No Obligation/Conflict of Interest: A client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in his/her former employer's plan, if permitted, (ii) roll over the assets to his/her new employer's plan, if one is available and rollovers are permitted, (iii) rollover to an IRA, or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). The Registrant may recommend an investor roll over plan assets to an Individual Retirement Account ("IRA") managed by the Registrant. As a result the Registrant and its representatives may earn an asset-based fee. In contrast, a recommendation that a client or prospective client leave his or her plan assets with his/her former employer or roll the assets to a plan sponsored by a new employer will generally result in no compensation to the Registrant (unless clients engage the Registrant to monitor and/or manage the account while maintained at his/her employer). The Registrant has an economic incentive to encourage an investor to roll plan assets into an IRA that the Registrant will manage **or** to engage the Registrant to monitor and/or manage the account while maintained at the client's employer. There are various factors that the Registrant may consider before recommending a rollover, including but not limited to: (i) the investment options available in the plan versus the investment options available in an IRA, (ii) fees and expenses in the plan versus the fees and expenses in an IRA, (iii) the services and responsiveness of the plan's investment professionals versus the Registrant's, (iv) protection of assets from creditors and legal judgments, (v) required

minimum distributions and age considerations, and (vi) employer stock tax consequences, if any. **No client is under any obligation to rollover plan assets to an IRA managed by the Registrant or to engage the Registrant to monitor and/or manage the account while maintained at the client's employer. The Registrant's Chief Compliance Officer, Philip J. Capell, remains available to address any questions that a client may have regarding its prospective engagement and the corresponding conflict of interest presented by such engagement.**

Non-Discretionary Service Limitations. Clients that determine to engage the Registrant on a non-discretionary investment advisory basis **must be willing to accept** that the Registrant cannot effect any account transactions without obtaining prior verbal consent to any such transaction(s) from the client. Thus, in the event that the Registrant would like to make a transaction for a client's account, and client is unavailable, the Registrant will be unable to effect the account transaction (as it would for its discretionary clients) without first obtaining the client's verbal consent.

Client Obligations. In performing its services, Registrant shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

Disclosure Statement. A copy of the Registrant's written Brochure as set forth on Part 2 of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the *Investment Advisory Agreement or Financial Planning and Consulting Agreement*.

- C. The Registrant shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, the Registrant shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at anytime, impose reasonable restrictions, in writing, on the Registrant's services.
- D. The Registrant does not participate in a wrap fee program.
- E. As of December 31, 2014, the Registrant had \$165,073,643 in assets under management on a discretionary basis and \$437,487 in assets under management on a non-discretionary basis.

Item 5 Fees and Compensation

- A. The client can determine to engage the Registrant to provide discretionary and/or non-discretionary investment advisory services on a *fee-only* basis.

INVESTMENT ADVISORY SERVICES

The client can engage the Registrant to provide discretionary and/or non-discretionary investment advisory services on a negotiable *fee-only* basis. The Registrant's annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under the Registrant's management (generally, between 0.5% and 1.2%) as follows*:

<u>Market Value of Portfolio</u>	<u>% of Assets</u>
Up to \$500,000.00	1.2%
\$500,001.00 to \$2,500,000.00	1.0%
\$2,500,001.00 to \$4,500,000.00	0.8%
\$4,500,001.00 and over	0.6%

***Fixed Income, Cash and Cash Equivalent Assets are charged at a rate of 0.5%**
(including: individual bonds, bond funds, money market accounts, cash and cash equivalents).

FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)

To the extent specifically requested by a client, the Registrant *may* determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone separate fixed fee basis. Registrant's planning and consulting fees are negotiable, but generally range from \$2,000.00 to \$20,000.00 on a fixed fee basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s).

- B. Clients may elect to have the Registrant's advisory fees deducted from their custodial account. Both Registrant's *Investment Advisory Agreement* and the custodial/ clearing agreement may authorize the custodian to debit the account for the amount of the Registrant's investment advisory fee and to directly remit that management fee to the Registrant in compliance with regulatory procedures. In the limited event that the Registrant bills the client directly, payment is due upon receipt of the Registrant's invoice. The Registrant shall deduct fees and/or bill clients quarterly in advance, (except during the first quarter of the engagement in which the Registrant shall bill, on a daily pro rata basis, in arrears) based upon the market value of the assets on the last business day of the previous quarter.
- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, the Registrant shall generally recommend that Charles Schwab and Co., Inc. ("*Schwab*") and/or TD Ameritrade Securities, Inc. ("*Ameritrade*") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Schwab* and *Ameritrade* charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). In addition to Registrant's investment management fee,

brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).

Tradeaway/Prime Broker Fees. Relative to its discretionary investment management services, when beneficial to the client, individual fixed income transactions may be effected through broker-dealers other than the account custodian, in which event, the client generally will incur both the fee (commission, mark-up/mark-down) charged by the executing broker-dealer and a separate “tradeaway” and/or prime broker fee charged by the account custodian (*Schwab* or *Ameritrade*).

- D. Registrant's annual investment advisory fee shall be prorated and paid quarterly, in advance, (except during the first quarter of the engagement in which the Registrant shall bill, on a daily pro rata basis, in arrears) based upon the market value of the assets on the last business day of the previous quarter. The Registrant does not generally require an annual minimum fee level for investment advisory services. The Registrant generally requires a minimum asset level of \$500,000.00 for investment advisory services. The Registrant, in its sole discretion, may charge a lesser investment management fee (or charge a flat fee) and/or reduce or waive its minimum asset requirement based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.)

The *Investment Advisory Agreement* between the Registrant and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, the Registrant shall refund the pro-rated portion of the advanced advisory fee paid based upon written demand by the client.

- E. Neither the Registrant, nor its representatives accept compensation from the sale of securities or other investment products.

Item 6 Performance-Based Fees and Side-by-Side Management

Neither the Registrant nor any supervised person of the Registrant accepts performance-based fees.

Item 7 Types of Clients

The Registrant's clients shall generally include individuals, business entities, trusts, pension and profit sharing plans, estates and charitable organizations. The Registrant does not generally require an annual minimum fee and generally requires a minimum asset level of \$500,000.00 for investment advisory services. The Registrant, in its sole discretion, may charge a lesser investment management fee (or charge a flat fee) and/or reduce or waive its minimum asset requirement based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

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

- A. The Registrant may utilize the following methods of security analysis:
- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
 - Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)

The Registrant may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)
- Trading (securities sold within thirty (30) days)
- Margin Transactions (use of borrowed assets to purchase financial instruments)
- Options (contract for the purchase or sale of a security at a predetermined price during a specific period of time)

Please Note: Investment Risk. Investing in securities involves risk of loss that clients should be prepared to bear. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by the Registrant) will be profitable or equal any specific performance level(s).

- B. The Registrant's methods of analysis and investment strategies do not present any significant or unusual risks. However, every method of analysis has its own inherent risks. To perform an accurate market analysis the Registrant must have access to current/new market information. The Registrant has no control over the dissemination rate of market information; therefore, unbeknownst to the Registrant, certain analyses may be compiled with outdated market information, severely limiting the value of the Registrant's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

The Registrant's primary investment strategies - Long Term Purchases, Short Term Purchases, and Trading - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy. Trading, an investment strategy that requires the purchase and sale of securities within a thirty (30) day investment time period, involves a very short investment time period but will incur higher transaction costs when compared to a short term investment strategy and substantially higher transaction costs than a longer term investment strategy.

In addition to the fundamental investment strategies discussed above, the Registrant may also implement and/or recommend the use of margin, and/or options transactions, which has a high level of inherent risk. (*See discussion below*).

Margin is an investment strategy with a high level of inherent risk. A margin transaction occurs when an investor uses borrowed assets to purchase financial instruments. The investor generally obtains the borrowed assets by using other securities as collateral for the borrowed sum. The effect of purchasing a security using margin is to magnify any gains or losses sustained by the purchase of the financial instruments on margin. **Please note:** To the extent that a client authorizes the use of margin, and margin is thereafter employed by the Registrant in the management of the client's investment portfolio, the market value of the client's account and corresponding fee payable by the client to the Registrant may be increased. As a result, in addition to understanding and assuming the additional principal risks associated with the use of margin, clients authorizing margin are advised of the potential *conflict of interest* whereby the client's decision to employ margin *may* correspondingly increase the management fee payable to the Registrant. Accordingly, the decision as to whether to employ margin is left totally to the discretion of client.

Registrant does not generally recommend the use of margin transactions to client. Any client that wishes to trade on margin will sign a margin agreement with *Schwab* or *Ameritrade* or any other broker-dealer/custodian.

The use of options transactions as an investment strategy involves a high level of inherent risk. Option transactions establish a contract between two parties concerning the buying or selling of an asset at a predetermined price during a specific period of time. During the term of the option contract, the buyer of the option gains the right to demand fulfillment by the seller. Fulfillment may take the form of either selling or purchasing a security depending upon the nature of the option contract. Generally, the purchase or the recommendation to purchase an option contract by the Registrant shall be with the intent of offsetting/"hedging" a potential market risk in a client's portfolio. **Please Note:** Although the intent of the options-related transactions that may be implemented by the Registrant is to hedge against principal risk, certain of the options-related strategies (i.e. straddles, short positions, etc), may, in and of themselves, produce principal volatility and/or risk. Thus, a client must be willing to accept these enhanced volatility and principal risks associated with such strategies. In light of these enhanced risks, client may direct the Registrant, in writing, not to employ any or all such strategies for his/her/their/its accounts.

- C. Currently, the Registrant allocates client investment assets primarily among open-end mutual funds, with the remainder primarily allocated among various individual equity securities (primarily exchange traded funds ("ETFs"), and to a lesser extent, individual stocks), and fixed income securities (bonds, CDs, etc.), on a discretionary basis in accordance with the client's investment objective(s).

Item 9 Disciplinary Information

The Registrant has not been the subject of any disciplinary actions.

Item 10 Other Financial Industry Activities and Affiliations

- A. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. **Lawyer or Law Firm.** The Registrant's President/Chief Compliance Officer, Philip J. Capell is a licensed attorney in the state of New York in his individual capacity. He maintains an ownership interest in Philip J. Capell, P.C., a New York professional law corporation providing legal services primarily in the areas of estate planning and estate administration. Mr. Capell devotes less than twenty five percent (25%) of his time to providing legal services through Philip J. Capell, P.C. **The Registrant does not provide legal services and no portion of the Registrant's services should be construed as legal services.**

Conflict of Interest: The recommendation that a client engage the legal services of Philip J. Capell, P.C. presents a **material conflict of interest**, as the receipt of legal fees may provide an incentive to recommend Philip J. Capell, P.C. to provide legal services, rather than a particular client's need. No client is under any obligation to engage the services of Philip J. Capell, P.C. Clients are reminded that they may acquire legal services through other, non-affiliated law firms.

The Registrant's Chief Compliance Officer, Philip J. Capell, remains available to address any questions that a client or prospective may have regarding the above conflict of interest.

- D. The Registrant does not recommend or select other investment advisors for its clients.

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

- A. The Registrant maintains an investment policy relative to personal securities transactions. This investment policy is part of Registrant's overall Code of Ethics, which serves to establish a standard of business conduct for all of Registrant's Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, the Registrant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Registrant or any person associated with the Registrant.
- B. Neither the Registrant nor any related person of Registrant recommends, buys, or sells for client accounts, securities in which the Registrant or any related person of Registrant has a material financial interest.

- C. The Registrant and/or representatives of the Registrant *may* buy or sell securities that are also recommended to clients. This practice may create a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as “scalping” (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if the Registrant did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, “front-running” (i.e., personal trades executed prior to those of the Registrant’s clients) and other potentially abusive practices.

The Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Registrant’s “Access Persons”. The Registrant’s securities transaction policy requires that Access Person of the Registrant must provide the Chief Compliance Officer or his/her designee with a written report of the their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person’s current securities holdings at least once each twelve (12) month period thereafter on a date the Registrant selects; provided, however that at any time that the Registrant has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. The Registrant and/or representatives of the Registrant *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11 C, the Registrant has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Registrant’s Access Persons.

Item 12 Brokerage Practices

- A. In the event that the client requests that the Registrant recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct the Registrant to use a specific broker-dealer/custodian), Registrant generally recommends that investment management accounts be maintained at *Schwab* and/or *Ameritrade*. Prior to engaging Registrant to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with Registrant setting forth the terms and conditions under which Registrant shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that the Registrant considers in recommending *Schwab*, *Ameritrade*, or any other broker-dealer/custodian to clients, include historical relationship with the Registrant, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Registrant's clients shall comply with the Registrant's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Registrant determines, in good faith, that the commission/transaction fee is reasonable. 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 services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Registrant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Registrant's investment management fee. The Registrant's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

1. Research and Additional Benefits

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Registrant may receive from *Schwab* and/or *Ameritrade* (or another broker-dealer/custodian, investment platform, independent investment manager, and/or mutual fund sponsor) without cost (and/or at a discount) support services and/or products, certain of which assist the Registrant to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by the Registrant may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis travel expenses and attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Registrant in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that *may* be received may assist the Registrant in managing and administering client accounts. Others do not directly provide such assistance, but rather assist the Registrant to manage and further develop its business enterprise.

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at *Schwab* and/or *Ameritrade* as a result of this arrangement. There is no corresponding commitment made by the Registrant to *Schwab*, *Ameritrade* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

The Registrant's Chief Compliance Officer, Philip J. Capell, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.

Schwab Advisor Services

Registrant receives certain additional economic benefits ("Additional Benefits") that may or may not be offered to the Registrant again in the future. Specifically, the Additional Benefits include a discount on *Schwab's* PortfolioCenter® software for the benefit of the Registrant. The Registrant has no expectation that these Additional Benefits will be offered again; however, the Registrant reserves the right to negotiate for these Additional Benefits in the future. *Schwab* provides the Additional Benefits

to Registrant in its sole discretion and at its own expense, and neither the Registrant nor its clients pay any fees to *Schwab* for the Additional Benefits.

Schwab Advisor Services (formerly called *Schwab* Institutional) is *Schwab*'s business serving independent investment advisory firms like Registrant. *Schwab* Advisor Services provides Registrant 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 and Additional Benefits. Some of those support services and Additional Benefits help Registrant manage or administer its clients' accounts while others help Registrant manage and grow its business. *Schwab* may also provide monetary assistance to Registrant to defray certain costs towards certain technology, compliance, legal, business consulting and other related expenses. *Schwab*'s support services are generally available on an unsolicited basis (Registrant does not have to request them) and at no charge to Registrant. Here is a more detailed description of *Schwab*'s Additional Benefits:

Services that Benefit the Client

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 Registrant might not otherwise have access or that would require a significantly higher minimum initial investment by Registrant's clients. *Schwab*'s services described in this paragraph generally benefit Registrant's clients and their accounts.

Services that May Not Directly Benefit the Client

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

- provide access to client account data (such as duplicate trade confirmations and account statements);
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- provide pricing and other market data;
- facilitate payment of Registrant's fees from Registrant's clients' accounts; and
- assist with back-office functions, recordkeeping and client reporting.

Services that Generally Benefit Only Registrant

Schwab also offers other services intended to help Registrant manage and further develop its business enterprise. These services include:

- educational conferences and events
- technology, compliance, legal, and business consulting;
- publications and conferences on practice management and business succession; and

- 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 Registrant. *Schwab* may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. *Schwab* may also provide Registrant with other benefits such as occasional business entertainment of its personnel.

The availability of these services from *Schwab* benefits Registrant because it does not have to produce or purchase them. Registrant is not required to pay for *Schwab*'s services. The receipt of Additional Benefits may give Registrant an incentive to request that clients maintain their account with *Schwab* based on Registrant's interest in receiving *Schwab*'s services that benefit Registrant's business rather than based on clients' interest in receiving the best value in custody services and the most favorable execution of transactions. This presents a potential **conflict of interest**. Registrant believes, however, that its selection of *Schwab* as custodian and broker may be in the best interests of its clients based upon the factors discussed above. Further, because the Additional Benefits are generally provided on an unsolicited basis and at no charge to Registrant, Registrant does not believe that this arrangement presents an actual and material conflict of interest.

2. The Registrant does not receive referrals from broker-dealers.
3. The Registrant does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Registrant will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Registrant. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

Please Note: In the event that the client directs Registrant to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Registrant. Higher transaction costs adversely impact account performance.

The Registrant's Chief Compliance Officer, Philip J. Capell, remains available to address any questions that a client or prospective client may have regarding the above arrangement.

- B. To the extent that the Registrant provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless the Registrant decides to purchase or sell the same securities for several clients at approximately the same time. The Registrant may (but is not obligated to) combine or “bunch” such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Registrant’s clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. The Registrant shall not receive any additional compensation or remuneration as a result of such aggregation.

Item 13 Review of Accounts

- A. For those clients to whom Registrant provides investment supervisory services, account reviews are conducted on an ongoing basis by the Registrant's Principals and/or representatives. All investment supervisory clients are advised that it remains their responsibility to advise the Registrant of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with the Registrant on an annual basis.
- B. The Registrant *may* conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance.

Item 14 Client Referrals and Other Compensation

- A. As referenced in Item 12.A.1 above, the Registrant may receive an indirect economic benefit from *Schwab* and/or *Ameritrade*. The Registrant, without cost (and/or at a discount), may receive support services and/or products from *Schwab* and/or *Ameritrade*.

Registrant’s clients do not pay more for investment transactions effected and/or assets maintained at *Schwab* and/or *Ameritrade* as a result of this arrangement. There is no corresponding commitment made by the Registrant to *Schwab*, *Ameritrade*, or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

The Registrant’s Chief Compliance Officer, Philp J. Capell, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.

- B. If a client is introduced to the Registrant by either an unaffiliated or an affiliated solicitor, Registrant *may* pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from the Registrant's investment management fee, and shall not result in any additional charge to the client. If the client is introduced to the Registrant by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of his/her/its solicitor relationship, and shall provide each prospective client with a copy of the Registrant's written Brochure with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between the Registrant and the solicitor, including the compensation to be received by the solicitor from the Registrant.

Item 15 Custody

The Registrant shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance.

Please Note: To the extent that the Registrant provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by the Registrant with the account statements received from the account custodian. **Please Also Note:** The account custodian does not verify the accuracy of the Registrant's advisory fee calculation.

Item 16 Investment Discretion

The client can determine to engage the Registrant to provide investment advisory services on a discretionary basis. Prior to the Registrant assuming discretionary authority over a client's account, client shall be required to execute an *Investment Advisory Agreement*, naming the Registrant as client's attorney in fact and agent in fact, granting the Registrant full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage the Registrant on a discretionary basis may, at anytime, impose restrictions, **in writing**, on the Registrant's discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe the Registrant's use of margin, etc.).

Item 17 Voting Client Securities

- A. The Registrant does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.
- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact the Registrant to discuss any questions they may have with a particular solicitation.

Item 18 Financial Information

- A. The Registrant does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. The Registrant is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. The Registrant has not been the subject of a bankruptcy petition.

ANY QUESTIONS: The Registrant's Chief Compliance Officer, Philip J. Capell, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.