

# Disclosure Brochure

March 18, 2015

## **Marks Group Wealth Management, Inc.**

*a Registered Investment Adviser*

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This brochure provides information about the qualifications and business practices of Marks Group Wealth Management, Inc. (hereinafter "MGWM"). If you have any questions about the contents of this brochure, please contact Bennett E. Marks at (952) 582-6100. 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 Marks Group Wealth Management, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Marks Group Wealth Management, Inc. is an SEC registered investment adviser. Registration does not imply any level of skill or training.

## Item 2. Material Changes

This Item discusses only the material changes that have occurred since MGWM's last annual update dated March 17, 2014. MGWM does not have any material change to disclose.

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## Item 4. Advisory Business

MGWM provides financial planning and investment management services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities. Our investment strategy is based on 3 principles:

### Transparency

What you see is what you get. MGWM's six model portfolios invest in stocks, bonds, exchange-traded funds (ETFs) and mutual funds. Clients' investments are held in separately managed accounts where the "moving parts" of any transaction can be seen. MGWM's management fees are fully disclosed and all-inclusive. The firm regularly updates and communicates the biases and outlook which drive our investment decisions.

### Liquidity

MGWM invests only in securities that have daily liquidity and pricing. We do not invest clients' money in hedge funds, structured notes, private investments or other less liquid or less transparent investments.

### Proximity

The more middlemen between you and your money, the higher the probability of an unanticipated outcome. At MGWM, you speak directly to the decision-makers who know what you own and why you own it.

Prior to engaging MGWM to provide any of the foregoing investment advisory services, the client is required to enter into one or more written agreements with MGWM setting forth the terms and conditions under which MGWM renders its services (collectively the "*Agreement*").

MGWM has been in business since November 2008. Bennett E. Marks and John C. Feste are the principal owners of MGWM. As of March 6, 2015, MGWM has \$505,040,419 of assets under management, of which \$498,998,498 is managed on a discretionary basis and \$6,041,921 is managed on a non-discretionary basis.

This Disclosure Brochure describes the business of MGWM. Certain sections will also describe the activities of *Supervised Persons*. *Supervised Persons* are any of MGWM's officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on MGWM's behalf and is subject to MGWM's supervision or control.

### **Financial Planning and Consulting Services**

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MGWM may provide its clients with a broad range of comprehensive financial planning and consulting services, which may include non investment-related matters. These services include business planning,

investments, insurance, retirement, education, estate planning, and tax and cash flow needs of the client. In addition, the firm also provides financial planning services to private foundations regarding long-term strategic planning, the development of investment policy statements and providing consolidated performance reporting for institutional clients working with multiple custodians and managers. These services may be included as part of MGWM's wealth management services, described below.

In performing its services, MGWM is not required to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. MGWM may recommend the services of itself, its *Supervised Persons* in their individual capacities as registered representatives of a broker-dealer, and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if MGWM recommends its own services. The client is under no obligation to act upon any of the recommendations made by MGWM under a financial planning or consulting engagement or to engage the services of any such recommended professional, including MGWM itself. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of MGWM's recommendations. Clients are advised that it remains their responsibility to promptly notify MGWM if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising MGWM's previous recommendations and/or services.

### **Investment Management and Wealth Management Services**

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Clients can engage MGWM to manage all or a portion of their assets on a discretionary or non-discretionary basis. In addition, MGWM may provide clients with wealth management services which may include a broad range of comprehensive financial planning and consulting services as well as discretionary and/or non-discretionary management of investment portfolios.

MGWM primarily allocates clients' investment management assets among open-end and closed-end mutual funds, exchange-traded funds ("ETFs"), individual debt and equity securities and American Depositary Receipts ("ADRs"), as well as publicly traded Real Estate Investment Trusts ("REITs") and Master Limited Partnerships ("MLPs"), and, in limited cases, *Independent Managers* (as defined below). MGWM also provides advice about any type of investment held in clients' portfolios at the outset of establishing a relationship with the firm.

MGWM tailors its advisory services to the individual needs of clients. MGWM consults with clients initially to develop an investment strategy based on the clients' risk tolerance and other factors. On a case by case basis, as necessary, MGWM works with clients to develop an investment policy statement. MGWM ensures that clients' investments are suitable for their investment needs, goals, objectives and risk tolerance.

MGWM also may render non-discretionary investment management services to clients relative to variable life/annuity products that they may own, their individual employer-sponsored retirement plans, and/or 529

plans or other products that may not be held by the client's primary custodian. In so doing, MGWM either directs or recommends the allocation of client assets among the various investment options that are available with the product. Client assets are maintained at the specific insurance company or custodian designated by the product.

Clients are advised to promptly notify MGWM if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon MGWM's management services. Clients may impose reasonable restrictions or mandates on the management of their account (e.g., require that a portion of their assets be invested in socially responsible funds) if, in MGWM's sole discretion, the conditions will not materially impact the performance of a portfolio strategy or prove overly burdensome to its management efforts.

### Use of Independent Managers

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As mentioned above, MGWM recommends that certain clients authorize the active discretionary management of a portion of their assets by and/or among certain independent investment managers ("*Independent Managers*"), based upon the stated investment objectives of the client. The terms and conditions under which the client engages the *Independent Managers* are set forth in a separate written agreement between MGWM or the client and the designated *Independent Managers*. MGWM renders services to the client relative to the discretionary and/or non-discretionary selection or recommendation of *Independent Managers*. MGWM also monitors and reviews the account performance and the client's investment objectives. MGWM receives an annual advisory fee which is based upon a percentage of the market value of the assets being managed by the designated *Independent Managers*.

When recommending or selecting an *Independent Manager* for a client, MGWM reviews information about the *Independent Manager* such as its disclosure brochure and/or material supplied by the *Independent Manager* or independent third parties for a description of the *Independent Manager's* investment strategies, past performance and risk results to the extent available. Factors that MGWM considers in recommending an *Independent Manager* include the client's stated investment objectives, management style, performance, reputation, financial strength, reporting, pricing, and research. The investment management fees charged by the designated *Independent Managers*, together with the fees charged by the corresponding designated broker-dealer/custodian of the client's assets, may be exclusive of, and in addition to, MGWM's investment advisory fee set forth above. As discussed above, the client may incur additional fees than those charged by MGWM, the designated *Independent Managers*, and corresponding broker-dealer and custodian.

In addition to MGWM's written disclosure brochure, the client also receives the written disclosure brochure of the designated *Independent Managers*. Certain *Independent Managers* may impose more restrictive account requirements and varying billing practices than MGWM. In such instances, MGWM may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.

## Sponsor of Wrap Program

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MGWM is the sponsor of the Marks Group Wealth Management Wrap Program (the "*Program*"), a wrap fee program. For clients who participate in the *Program*, MGWM provides its investment management services and arranges for brokerage transactions under a single annualized fee. Participants in the *Program* may pay a higher aggregate fee than if investment management and brokerage services are purchased separately. A complete description of the *Program's* terms and conditions (including fees) are contained in the *Program's* wrap fee brochure.

## Item 5. Fees and Compensation

MGWM offers its services on a fee basis, which may include fixed fees and/or fees based upon assets under management. Additionally, certain of MGWM's *Supervised Persons*, in their individual capacities, may offer securities brokerage services under a commission arrangement.

### Financial Planning and Consulting Fees

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MGWM generally charges a fixed fee for financial planning and consulting services. These fees are negotiable, but generally range from \$1,000 to \$50,000 on a fixed fee basis depending upon the level and scope of the services and the professional rendering the financial planning and/or the consulting services. If the client engages MGWM for additional investment advisory services, MGWM may offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services.

Prior to engaging MGWM to provide financial planning and/or consulting services, the client is required to enter into a written agreement with MGWM setting forth the terms and conditions of the engagement. Generally, MGWM requires one-half of the financial planning fee payable upon entering the written agreement. The balance is generally due upon delivery of the financial plan or completion of the agreed upon services.

### Investment Management and Wealth Management Fee

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MGWM provides investment management services for an annual fee based upon a percentage of the market value of the assets being managed by MGWM. MGWM's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client (except where client participates in the *Program*, as described above in Item 4). MGWM does not, however, receive any portion of these commissions, fees, and costs. MGWM's annual fee is prorated and charged quarterly, in advance, based upon the market value of the assets on the last day of the previous quarter. The annual fee varies (between 0.25% and 2.00%) depending upon the market value of the assets under management and the type of investment/wealth management services to be rendered. This clients participating in the Program are subject to the fee schedule set forth in the Program's Wrap Disclosure Brochure.

MGWM, in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria (e.g., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, *pro bono* activities, etc.).

## **Fees Charged by Financial Institutions**

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As further discussed in response to Item 12 (below), MGWM generally recommends that clients utilize the brokerage and clearing services of LPL Financial (“LPL”) for investment management accounts.

MGWM may only implement its investment management recommendations after the client has arranged for and furnished MGWM with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to, LPL, any other broker-dealer recommended by MGWM, broker-dealer directed by the client, trust companies, banks etc. (collectively referred to herein as the “*Financial Institutions*”).

Clients may incur certain charges imposed by the *Financial Institutions* and other third parties such as fees charged by *Independent Managers* (as defined below), custodial fees, charges imposed directly by a mutual fund or ETF in the account, which are disclosed in the fund’s prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Additionally, for assets outside of any wrap fee programs, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to MGWM’s fee.

MGWM’s *Agreement* and the separate agreement with any *Financial Institutions* may authorize MGWM or *Independent Managers* to debit the client’s account for the amount of MGWM’s fee and to directly remit that management fee to MGWM or the *Independent Managers*. Any *Financial Institutions* recommended by MGWM have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to MGWM.

## **Fees for Management During Partial Quarters of Service**

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For the initial period of investment management services, the fees are calculated on a *pro rata* basis.

The *Agreement* between MGWM and the client will continue in effect until terminated by either party pursuant to the terms of the *Agreement*. MGWM’s fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate.

Clients may make additions to and withdrawals from their account at any time, subject to MGWM’s right to terminate an account. Additions may be in cash or securities provided that MGWM reserves the right to liquidate any transferred securities or decline to accept particular securities into a client’s account. Clients may withdraw account assets on notice to MGWM, subject to the usual and customary securities



settlement procedures. However, MGWM designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives.

MGWM may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

## **Commissions or Sales Charges for Recommendations of Securities**

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Clients can engage certain persons associated with MGWM (but not MGWM) to render securities brokerage services under a commission arrangement. Clients are under no obligation to engage such persons and may choose brokers or agents not affiliated with MGWM. Under this arrangement, clients may implement securities transactions through certain of MGWM's *Supervised Persons* in their respective individual capacities as registered representatives of LPL Financial ("LPL"), an SEC registered broker-dealer and member of FINRA. LPL may charge brokerage commissions to effect these securities transactions and thereafter, a portion of these commissions may be paid by LPL to such *Supervised Persons*. Prior to effecting any transactions clients are required to enter into a new account agreement with LPL. The brokerage commissions charged by LPL may be higher or lower than those charged by other broker-dealers. In addition, certain of MGWM's *Supervised Persons* may also receive ongoing 12b-1 fees for mutual fund purchases from the mutual fund company during the period that the client maintains the mutual fund investment.

A conflict of interest exists to the extent that MGWM recommends the purchase of securities where MGWM's *Supervised Persons* receive commissions or other additional compensation as a result of MGWM's recommendations. MGWM has procedures in place to ensure that any recommendations made by such *Supervised Persons* are in the best interest of clients.

For accounts covered by ERISA (and such others that MGWM, in its sole discretion deems appropriate), MGWM provides its investment advisory services on a fee-offset basis. In this scenario, MGWM may offset its fees by an amount equal to the aggregate commissions and 12b-1 fees earned by MGWM's *Supervised Persons* in their individual capacities as registered representatives of LPL.

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

MGWM does not provide any services for performance-based fees. Performance-based fees are those based on a share of capital gains on or capital appreciation of the assets of a client.

## **Item 7. Types of Clients**

MGWM provides its services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities.

## Minimum Account Size

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As a condition for starting and maintaining a relationship, MGWM generally imposes a minimum portfolio size of \$250,000. MGWM, in its sole discretion, may accept clients with smaller portfolios 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. MGWM only accepts clients with less than the minimum portfolio size if, in the sole opinion of MGWM, the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. MGWM may aggregate the portfolios of family members to meet the minimum portfolio size.

Additionally, certain *Independent Managers* may impose more restrictive account requirements and varying billing practices than MGWM. In such instances, MGWM may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.

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

### Investment Strategies

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MGWM manages six model portfolios. The common elements across all six disciplines, is that the firm only invests in securities that have daily liquidity and pricing. Our *investment strategies* are summarized below:

**Core Equity:** This strategy invests in common stocks that trade on a U.S. stock exchange. There are typically about 35 securities in the portfolio at any particular time. This strategy is an all cap core equity investment which consists of growth and value stocks having small, mid-size and large market capitalizations.

**International Equity ETF:** This strategy consists of single country ETFs. There are typically approximately thirty countries represented in the portfolio, which includes both developed and emerging international economies.

**Alternative Strategy:** The objective of this strategy is to provide returns that are not directly correlated to the equity or fixed income markets. The portfolio consists of ETFs linked to commodity, currency, interest rate or equity indices, and may include leveraged and/or inverse ETFs. This strategy may also purchase publicly traded REITs, MLPs, open-end or closed-end mutual funds and individual common stocks.

**Fixed Income:** This portfolio may hold investments in individual investment quality issues and/or open-end and closed-end mutual funds and ETFs that primarily invest in fixed income securities.

**Equity Income:** This is a focused strategy with approximately fifteen positions. The objective is current income and long-term capital appreciation. The portfolio may consist of publicly traded REITs, MLPs, common stocks, international stocks, closed-end mutual funds and ETFs.

**Mutual Fund:** This strategy of open-ended mutual funds that invest in a variety of asset classes and equity styles. It has a balanced investment objective with exposure to both domestic and international equities and fixed income securities.

## Methods of Analysis

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MGWM's primarily employs fundamental and technical methods of analysis.

*Fundamental analysis* involves the fundamental financial condition and competitive position of a company. MGWM will analyze the financial condition, capabilities of management, earnings, new products and services, as well as the company's markets and position amongst its competitors in order to determine the recommendations made to clients. The primary risk in using fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security.

*Technical analysis* involves the analysis of past market data rather than specific company data in determining the recommendations made to clients. Technical analysis may involve the use of charts to identify market patterns and trends which may be based on investor sentiment rather than the fundamentals of the company. The primary risk in using technical analysis is that spotting historical trends may not help to predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that MGWM will be able to accurately predict such a reoccurrence.

In addition, when selecting an Independent Manager for a client, MGWM will perform due diligence in selecting the Independent Manager, which will include the review of the Independent Manager's disclosure statement and other material supplied by the Independent Manager and/or third parties concerning the Independent Manager's investment strategies, past performance and risk results to the extent possible.

## Risks of Loss

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### *Mutual Funds and Exchange Traded Funds (ETFs)*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of open-end mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per-share NAV of a mutual fund is calculated at the end of each

business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a closed-end mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to NAV.

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. 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. *Market Risks*

All securities, particularly individual equity and debt securities are subject to market volatility, economic factors and certain other market risks. The success of an investment may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that MGWM will be able to predict those price movements accurately.

### *Use of Independent Managers*

MGWM may recommend the use of *Independent Managers* for certain clients. MGWM will continue to do ongoing due diligence of such managers, but such recommendations relies, to a great extent, on the *Independent Managers* ability to successfully implement their investment strategy. In addition, MGWM does not have the ability to supervise the *Independent Managers* on a day-to-day basis other than as previously described in response to Item 4, above.

### *Management Through Similarly Managed Accounts*

MGWM primarily manages client portfolios among various securities on a discretionary basis using one or more of its proprietary investment strategies (collectively referred to as "*investment strategy*"). In so doing, MGWM buys, sells, exchanges and/or transfers securities based upon the *investment strategy*.

MGWM's management using the *investment strategy* complies with the requirements of Rule 3a-4 of the Investment Company Act of 1940, as amended. Rule 3a-4 provides similarly managed accounts, such as the *investment strategy*, with a safe harbor from the definition of an investment company.

The *investment strategy* may involve an above-average portfolio turnover that could negatively impact upon the net after-tax gain experienced by an individual client. Securities in the *investment strategy* are usually exchanged and/or transferred without regard to a client's individual tax ramifications. Certain investment opportunities that become available to MGWM's clients may be limited. For example, various mutual funds may limit the ability of MGWM to buy, sell, exchange or transfer securities consistent with its

*investment strategy.* As further discussed in response to Item 12B (below), MGWM allocates investment opportunities among its clients on a fair and equitable basis.

## *Use of Margin*

To the extent that a client authorizes the use of margin, and margin is thereafter employed by MGWM 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 MGWM will not be increased.

While the use of margin borrowing can substantially improve returns, such use may also increase the adverse impact to which a client's portfolio may be subject. Borrowings will usually be from securities brokers and dealers and will typically be secured by the client's securities and/or other assets. Under certain circumstances, such a broker-dealer may demand an increase in the collateral that secures the client's obligations and if the client were unable to provide additional collateral, the broker-dealer could liquidate assets held in the account to satisfy the client's obligations to the broker-dealer. Liquidation in that manner could have extremely adverse consequences. In addition, the amount of the client's borrowings and the interest rates on those borrowings, which will fluctuate, will have a significant effect on the client's profitability.

## *General Risk of Loss*

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

## **Item 9. Disciplinary Information**

MGWM is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. MGWM does not have any required disclosures to this Item.

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

MGWM is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. Such relationships and arrangements are described below.

### **Registered Representatives of Broker Dealer**

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As discussed above in Item 5, certain of MGWM's *Supervised Persons* are registered representatives of LPL.

### **Receipt of Insurance Commission**

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Certain of MGWM's *Supervised Persons*, in their individual capacities, are also licensed insurance agents with various insurance companies, and in such capacity, may recommend, on a fully-disclosed

commission basis, the purchase of certain insurance products. While MGWM does not sell such insurance products to its investment advisory clients, MGWM does permit its *Supervised Persons*, in their individual capacities as licensed insurance agents, to sell insurance products to its investment advisory clients. A conflict of interest exists to the extent that MGWM recommends the purchase of insurance products where MGWM's *Supervised Persons* receive insurance commissions or other additional compensation.

### **Fees from Independent Managers**

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As discussed above, MGWM recommends that certain clients authorize the active discretionary management of a portion of their assets by and/or among certain *Independent Managers*. In certain circumstances MGWM's compensation is included in the advisory fee charged by such *Independent Managers*. There may be a conflict of interest to choose such *Independent Managers*.

## **Item 11. Code of Ethics**

MGWM and persons associated with MGWM ("Associated Persons") are permitted to buy or sell securities that it also recommends to clients consistent with MGWM's policies and procedures.

MGWM has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws ("*Code of Ethics*"). In accordance with Section 204A of the Investment Advisers Act of 1940 (the "Advisers Act"), its *Code of Ethics* contains written policies reasonably designed to prevent the unlawful use of material non-public information by MGWM or any of its associated persons. The *Code of Ethics* also requires that certain of MGWM's personnel (called "*Access Persons*") report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

As specifically permitted in MGWM's *Code of Ethics*, its *Access Persons* may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the *Access Person*) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of MGWM's clients. However, when MGWM is purchasing or considering for purchase any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when MGWM is selling or considering the sale of any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact MGWM to request a copy of its *Code of Ethics*.

## Item 12. Brokerage Practices

As discussed above, in Item 5, MGWM generally recommends that clients utilize the brokerage and clearing services of *LPL*.

Factors which MGWM considers in recommending *LPL* or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. The commissions and/or transaction fees charged by *LPL* may be higher or lower than those charged by other *Financial Institutions*.

The commissions paid by MGWM's clients comply with MGWM's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified *Financial Institution* might charge to effect the same transaction where MGWM determines that the commissions are reasonable in relation to the value of the brokerage and research services received. 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 *Financial Institution's* services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. MGWM seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

MGWM periodically and systematically reviews its policies and procedures regarding its recommendation of *Financial Institutions* in light of its duty to obtain best execution.

The client may direct MGWM in writing to use a particular *Financial Institution* to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that *Financial Institution*, and MGWM will not seek better execution services or prices from other *Financial Institutions* or be able to "batch" client transactions for execution through other *Financial Institutions* with orders for other accounts managed by MGWM (as described below). As a result, the 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. Subject to its duty of best execution, MGWM may decline a client's request to direct brokerage if, in MGWM's sole discretion, such directed brokerage arrangements would result in additional operational difficulties or violate restrictions imposed by other broker-dealers (as further discussed below).

Transactions for each client generally will be effected independently, unless MGWM decides to purchase or sell the same securities for several clients at approximately the same time. MGWM may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among MGWM'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 generally be averaged as to price and allocated among MGWM's



clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that MGWM determines to aggregate client orders for the purchase or sale of securities, including securities in which MGWM's *Supervised Persons* may invest, MGWM generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. MGWM does not receive any additional compensation or remuneration as a result of the aggregation. In the event that MGWM determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, MGWM may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist MGWM in its investment decision-making process. Such research generally will be used to service all of MGWM's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because MGWM does not have to produce or pay for the products or services.

### **Commissions or Sales Charges for Recommendations of Securities**

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As discussed above, certain *Supervised Persons* in their respective individual capacities are registered representatives of *LPL*. These *Supervised Persons* are subject to FINRA Rule 3040 which restricts registered representatives from conducting securities transactions away from their broker-dealer unless *LPL* provides written consent. Therefore, clients are advised that certain *Supervised Persons* may be restricted to conducting securities transactions through *LPL* unless they first secure written consent from *LPL* to execute securities transactions through a different broker-dealer. Absent such written consent or separation from *LPL*, these *Supervised Persons* are prohibited from executing securities transactions through any broker-dealer other than *LPL* under *LPL*'s internal supervisory policies. MGWM is cognizant



of its duty to obtain best execution and has implemented policies and procedures reasonably designed in such pursuit.

### **Software and Support Provided by Financial Institutions**

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MGWM may receive from *LPL*, without cost to MGWM, computer software and related systems support, which allow MGWM to better monitor client accounts maintained at *LPL*. MGWM may receive the software and related support without cost because MGWM renders investment management services to clients that maintain assets at *LPL*. The software and support is not provided in connection with securities transactions of clients (i.e. not “soft dollars”). The software and related systems support may benefit MGWM, but not its clients directly. In fulfilling its duties to its clients, MGWM endeavors at all times to put the interests of its clients first. Clients should be aware, however, that MGWM’s receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence MGWM’s choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

Additionally, MGWM may receive the following benefits from *LPL*: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its RIA participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

### **Item 13. Review of Accounts**

For those clients to whom MGWM provides investment management services, MGWM monitors those portfolios as part of an ongoing process while account reviews are conducted regularly. For those clients to whom MGWM provides financial planning and/or consulting services, reviews are conducted on an “as needed” basis. Such reviews are conducted by one of MGWM’s investment adviser representatives.

Investment advisory clients are encouraged to discuss their needs, goals, and objectives with MGWM and to keep MGWM informed of any changes thereto. MGWM contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client’s financial situation and/or investment objectives.

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts.

Those clients to whom MGWM provides financial planning services will receive reports from MGWM summarizing its analysis and conclusions as requested by the client or otherwise agreed to in writing by MGWM.

## Item 14. Client Referrals and Other Compensation

If a client is introduced to MGWM by either an unaffiliated or an affiliated solicitor, MGWM may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act and any corresponding state securities law requirements. Any such referral fee is paid solely from MGWM's investment management fee, and does not result in any additional charge to the client. If the client is introduced to MGWM by an unaffiliated solicitor, the solicitor provides the client with a copy of MGWM's written disclosure brochure which meets the requirements of Rule 204-3 of the Advisers Act and a copy of the solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement including compensation. Any affiliated solicitor of MGWM discloses the nature of his/her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of MGWM's written disclosure brochure at the time of the solicitation.

## Item 15. Custody

MGWM's *Agreement* and/or the separate agreement with any *Financial Institution* may authorize MGWM through such *Financial Institution* to debit the client's account for the amount of MGWM's fee and to directly remit that management fee to MGWM in accordance with applicable custody rules.

The *Financial Institutions* recommended by MGWM have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to MGWM.

## Item 16. Investment Discretion

MGWM is generally given the authority to exercise discretion on behalf of clients. MGWM is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. MGWM is given this authority through a power-of-attorney included in the agreement between MGWM and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). MGWM takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold; and
- When transactions are made.

## Item 17. Voting Client Securities

MGWM is required to disclose if it accepts authority to vote client securities. MGWM does not vote client securities on behalf of its clients. Clients receive proxies directly from the *Financial Institutions*.

### **Item 18. Financial Information**

MGWM does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of providing its advisory or financial planning services. In addition, MGWM is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. MGWM has no disclosures pursuant to this Item

**Marks Group Wealth Management, Inc.**

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