

**ITEM 1. COVER PAGE**  
**PART 2A OF FORM ADV: FIRM BROCHURE**  

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**SEPTEMBER 2015**



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This brochure provides information about the qualifications and business practices of Beverly Hills Wealth Management LLC ("BHWM"). If you have any questions about the contents of this brochure, please contact our firm by telephone at (310) 859-1600. 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 BHWM also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Please note that the use of the term "registered investment adviser" and description of BHWM and/or our associates as "registered" does not imply a certain level of skill or training. You are encouraged to review this Brochure and Brochure Supplements for our firm's associates who advise you for more information on the qualifications of our firm and its employees.

## **Item 2. Material Changes to Our Part 2A of Form ADV: Firm Brochure**

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BHWM is required to advise you of any material changes to our Firm Brochure (“Brochure”) from our last annual update.

Since our last annual amendment filing on March 28, 2014, the following changes have been made:

1. Daniel Becerra is BHWM’s Chief Compliance Officer.
2. BHWM has updated the service description of the Asset Management service to now include the management of employer-sponsored ERISA plans.
3. Maryanne Greenberg will be replacing Mr. Becerra as our firm’s Chief Compliance Officer.

### Item 3. Table of Contents

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Item 1. Cover Page For Part 2A of Form ADV: .....	1
Item 2. Material Changes to Our Part 2A of Form ADV: Firm Brochure .....	2
Item 3. Table of Contents.....	3
Item 4. Advisory Business.....	4
Item 5. Fees & Compensation .....	6
Item 6. Performance-Based Fees & Side-By-Side Management .....	8
Item 7. Types of Clients & Account Requirements .....	9
Item 8. Methods of Analysis, Investment Strategies & Risk of Loss .....	9
Item 9. Disciplinary Information.....	10
Item 10. Other Financial Industry Activities & Affiliations .....	11
Item 11. Code of Ethics, Participation or Interest in Client Transactions & Personal Trading .....	12
Item 12. Brokerage Practices.....	13
Item 13. Review of Accounts or Financial Plans.....	16
Item 14. Client Referrals & Other Compensation .....	16
Item 15. Custody .....	17
Item 16. Investment Discretion .....	17
Item 17. Voting Client Securities .....	17
Item 18. Financial Information .....	17

## **Item 4. Advisory Business**

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A. Description of our advisory firm, including how long we have been in business and our principal owner(s).

BHWM is dedicated to providing individuals and other clients with a wide array of investment advisory services. BHWM provides services to clients through individuals registered as investment adviser representatives, generally referred to internally as “Wealth Management Advisor or Financial Advisor”.

We specialize in asset management and financial planning and consulting. Our firm is a limited liability company formed in the State of Delaware. Our firm has been in business as an investment adviser since 2010 and is majority owned by Margaret Black.

B. Description of the Types of Advisory Services:

(i) Asset Management:

BHWM Advisors emphasize continuous and regular account supervision. As part of our asset management service, we generally create a portfolio, consisting of individual stocks or bonds, exchange traded funds (“ETFs”), options, mutual funds and other public and private securities or investments. The client’s individual investment strategy is tailored to their specific needs and may include some or all of the previously mentioned securities. Each portfolio will be initially designed to meet a particular investment goal, which we determine to be suitable to the client’s circumstances. Once the appropriate portfolio has been determined, BHWM Advisors review the portfolio at least quarterly and if necessary, rebalance the portfolio based upon the client’s individual needs, stated goals and objectives. Each client has the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio.

We may also provide services to employer-sponsored ERISA plans. Such services consist of assisting establishing, monitoring and reviewing their company’s participant-directed retirement plan. As the needs of the plan sponsor dictate, areas of advising could include: investment selection and monitoring, plan design, fiduciary education, participant education, and plan benchmarking. This applies to client accounts that are pension or other employee benefit plans (“Plan”) governed by the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). If the client accounts are part of a Plan, and we accept appointments to provide our services to such accounts, we acknowledge that we may be a fiduciary within the meaning of Section 3(21) or 3(38) of ERISA (but only with respect to the provision of services described in section 1 of the applicable advisory agreement).

We offer discretionary and non-discretionary engagements. As such, clients may authorize our firm to delegate the active management of all or part of the assets to one or more independent investment managers and/or investment management programs (collectively referred to as “Independent Managers”) based upon the client’s stated investment objectives. The Independent Managers shall have limited power-of-attorney and trading authority over those Assets our firm directs to them for management and they shall be authorized to buy, sell, and trade in securities in accordance with the client’s investment objectives as communicated by us and to give instructions in furtherance of such trading authority to the Broker-Dealer and the Custodian. Our firm may be authorized to terminate or change Independent Managers when our firm believes such termination or change is in a client’s best interest. We will continue to

render services to the client relative to the supervision of the Independent Managers and ongoing monitoring and review of account performance, asset allocation, and investment objectives, for which services we shall be paid the our firm's Fee.

(ii) Financial Planning & Consulting:

We provide a variety of financial planning and consulting services to individuals, families and other clients regarding the management of their financial resources based upon an analysis of client's current situation, goals, and objectives. Generally, such financial planning services will involve preparing a financial plan or rendering a financial consultation for clients based on the client's financial goals and objectives. This planning or consulting may encompass one or more of the following areas: Investment Planning, Retirement Planning, Estate Planning, Charitable Planning, Education Planning, Corporate and Personal Tax Planning, Cost Segregation Study, Corporate Structure, Real Estate Analysis, Mortgage/Debt Analysis, Insurance Analysis, Lines of Credit Evaluation, Business and Personal Financial Planning.

Our written financial plans or financial consultations rendered to clients usually include general recommendations for a course of activity or specific actions to be taken by the clients. For example, recommendations may be made that the clients begin or revise investment programs, create or revise wills or trusts, obtain or revise insurance coverage, commence or alter retirement savings, or establish education or charitable giving programs. It should also be noted that we refer clients to an accountant, attorney or other specialist, as necessary for non-advisory related services. For written financial planning engagements, we provide our clients with a written summary of their financial situation, observations, and recommendations. Plans or consultations are typically completed within six (6) months of the client signing a contract with us, assuming that all the information and documents we request from the client are provided to us promptly. Implementation of the recommendations will be at the discretion of the client.

C. Explanation of whether (and, if so, how) we tailor our advisory services to the individual needs of clients, whether clients may impose restrictions on investing in certain securities or types of securities.

We offer individualized investment advice to clients utilizing our firm's asset management services. Additionally, we offer general investment advice to clients utilizing financial planning and consulting. Clients have the opportunity to place reasonable restrictions on the types of investments to be held in certain portfolios. Restrictions on investments in certain others may not be possible due to the level of difficulty this would entail in managing the account.

D. Participation in wrap fee programs.

We offer wrap fee programs as further described in Part 2A, Appendix 1 (the "Wrap Fee Program Brochure") of our Brochure. Our wrap fee and non-wrap fee accounts are managed on an individualized basis according to the client's investment objectives, financial goals, risk tolerance, etc. We do not manage wrap fee accounts in a different fashion than non-wrap fee accounts. As further described in our Wrap Fee Program Brochure, we receive a portion of the wrap fee for our services.

E. Disclosure of the amount of client fee-based assets we manage on a discretionary basis and the amount of client assets we manage on a non-discretionary basis as of 12/31/2014.

BHWM manages<sup>1</sup> \$307,640,122 on a discretionary basis and \$2,758,769 on a non-discretionary basis.

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## Item 5. Fees & Compensation

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A. Description of how we are compensated for our advisory services provided to you.

(i) Asset Management:

Asset management services are charged on a percentage of assets under management according to the below maximum fee schedule:

Assets Under Management	Annual Advisory Fee
Any Assets	Up to 3.00%

Our firm's fees are billed on a pro-rata annualized basis quarterly in advance based on the value of your account on the time-weighted daily average of the previous quarter.

We pay compensation to Independent Managers for services rendered by these firms to our clients and our firm. This compensation is typically equal to a percentage of the overall investment advisory fee charged by our firm or an agreed upon fixed fee. The advisory fee paid to Independent Managers shall be negotiable in certain circumstances, but shall never exceed the overall amount in our published fee statement. We usually pay fifty (50) to seventy-five percent (75%) of the overall advisory fee to Independent Managers for their services.

Our clients acknowledge and agree that if there is not enough liquid cash in a client's accounts, we or any third party Independent Manager will instruct the relevant custodian to liquidate the necessary positions in such accounts to cover the amount of the fees under the Agreement.

(ii) Financial Planning & Consulting:

We charge on an hourly or flat fee basis for financial planning and consulting services. The total estimated fee, as well as the ultimate fee that we charge you, is based on the scope and complexity of our engagement with you. Our maximum hourly fee is \$500. Flat fees generally range from \$1,000 to \$19,000.

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<sup>1</sup> Please note that our method for computing the amount of "client assets we manage" can be different from the method for computing "assets under management" required for Item 5.F in Part 1A of Form ADV. We have chosen to follow the method outlined for Item 5.F in Part 1A of Form ADV. If we decide to use a different method at a later date to compute "client assets we manage," we must keep documentation describing the method we use and inform you of the change. The amount of assets we manage may be disclosed by rounding to the nearest \$100,000. Our "as of" date must not be more than three months before the date we last updated our *Brochure* in response to Item 4.E of Form ADV Part 2A.

B. Description of whether we deduct fees from clients' assets or bill clients for fees incurred.

(i) Asset Management:

Our firm's fees are billed on a pro-rata annualized basis quarterly in advance based on the value of your account on the time-weighted daily average of the previous quarter. Fees will generally be automatically deducted from your managed account through a qualified custodian. In rare cases, we will agree to direct bill clients.

(ii) Financial Planning & Consulting:

We require a retainer of fifty-percent (50%) of the ultimate financial planning or consulting fee with the remainder of the fee directly billed to you and due to us within thirty (30) days of your financial plan being delivered or consultation rendered to you. In all cases, we will not require a retainer exceeding \$1,200 when services cannot be rendered within 6 (six) months.

C. Description of any other types of fees or expenses clients may pay in connection with our advisory services, such as custodian fees or mutual fund expenses.

Non-Wrap fee clients will incur transaction charges for trades executed in their accounts. These transaction fees are separate from our fees and will be disclosed by the firm that the trades are executed through. Also, clients will pay the following separately incurred expenses, which we do not receive any part of: charges imposed directly by a mutual fund, index fund, or exchange traded fund which shall be disclosed in the fund's prospectus (i.e., fund management fees and other fund expenses).

Wrap fee clients will receive our Form ADV, Part 2A, Appendix 1 (the "Wrap Fee Program Brochure"). Wrap fee clients will not incur transaction costs for trades. More information about this is disclosed in our separate Wrap Fee Program Brochure.

D. Client's Advisory Fees Are Due Quarterly In Advance.

In the event that you wish to terminate our services, we will refund the unearned portion of our advisory fee to you. You need to contact us in writing and state that you wish to terminate our services. Upon receipt of your letter of termination, we will proceed to close out your account and process a pro-rata refund of unearned advisory fees.

E. Commissionable Securities Sales.

We sell securities for a commission. In order to sell securities for a commission, our supervised persons are registered representatives of Mutual Securities, Inc., member FINRA/SIPC. Our supervised persons may accept compensation for the sale of securities or other investment products, including distribution or service ("trail") fees from the sale of mutual funds. You should be aware that the practice of accepting commissions for the sale of securities:

1. Presents a conflict of interest and gives our firm and/or our supervised persons an incentive to recommend investment products based on the compensation received, rather than on your needs. We generally address commissionable sales conflicts that arise when explaining to clients that commissionable securities sales creates an incentive to recommend products based on the compensation we and/or our supervised persons may

earn and may not necessarily be in the best interests of the client or when recommending commissionable mutual funds, explaining that “no-load” funds are available through our firm if the client wishes to become an investment advisory client.

2. In no way prohibits you from purchasing investment products recommended by us through other brokers or agents which are not affiliated with us.
3. Does not exceed more than 50% of BHWB’s annual gross revenue.
4. Does not reduce your advisory fees to offset the commissions our supervised persons receive.

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### **Item 6. Performance-Based Fees & Side-By-Side Management**

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Our firm may charge qualified clients<sup>2</sup> “performance fees” – that is, fees based on a share of capital gains on or capital appreciation of the managed assets of a client. We charge performance based fees as follows:

<b>Assets Under Management</b>	<b>Annual Advisory Fee</b>
Any Assets	Up to 3.00%

Our firm’s fees are billed on a pro-rata annualized basis quarterly in advance based on the value of your account on the time-weighted daily average of the previous quarter.

We also charge a performance based fee quarterly in arrears at the end of each quarter as follows:

- 20% of the net profits (i.e., profits after our management fee has been deducted) achieved for the previous quarter of account management.

In charging performance fees to some of our client accounts, we face a conflict because we can potentially receive greater fees from client accounts having a performance-based compensation structure than from those accounts we only charge a fee unrelated to performance (e.g., an asset-based fee). As a result, we may have an incentive to direct the best investment ideas to, or to allocate or sequence trades in favor of, the account that pays a performance fee.

We have taken several important steps to ensure that our performance based accounts are not favored over our client’s non-performance fee based accounts. These steps include:

1. A periodic comparison of our performance based and non-performance accounts. Our comparison will entail a review of our ten most profitable and ten least profitable (including unrealized gain or loss) investment decisions based on total return of positions opened and closed for each investment strategy or mandate offered to clients. We keep track of securities ticker symbol, purchase date, sale date, percentage of gain and/or loss, and dollar amount of the gain and/or loss. In the event that we find performance based accounts are being unduly (i.e., consistently) favored over non-performance based accounts, we would take action to address the situation. This could include allowing non-performance based accounts to trade before performance based accounts to the extent practicable, or if the problem persists, not allowing new performance based accounts, waiving our performance

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<sup>2</sup> We are currently permitted to charge performance based fees only to clients with at least \$1,000,000 under management with our firm or a net worth of at least \$2,000,000. It is expected that the SEC will revisit this standard in the near future and tie the definition of a qualified client to inflation. It is unclear at this time whether the SEC will grandfather or exempt existing qualified clients being charged performance based fees from a greater financial threshold for meeting the qualified client standard should the definition change.



based fees or cancelling our performance based fee arrangements altogether and in some cases, termination of firm personnel.

2. The use of block trades and allocations made based on client's risk tolerance, investment objectives and restrictions. A periodic review of the block trade allocations to detect whether profitable trades are being disproportionately allocated to performance based accounts, while unprofitable trades are being disproportionately allocated to pure-fee based accounts with no performance fee. If our firm detects a problem in the allocation of block trades, our remedies are the same as those outlined above.

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### **Item 7. Types of Clients & Account Requirements**

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We have the following types of clients:

- Individuals;
- Trusts, Estates or Charitable Organizations;
- Pension and Profit Sharing Plans; and
- Corporations, limited liability companies and/or other business types.

Our requirements for opening and maintaining accounts or otherwise engaging us:

- We require a minimum account balance of \$500,000 for our asset management service. Generally, this minimum account balance requirement is not negotiable and would be required throughout the course of the client's relationship with our firm.
- We generally charge a minimum fee of \$1,000 for written financial plans.

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

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#### **Methods of Analysis:**

*Charting.* In this type of technical analysis, we review charts of market and security activity in an attempt to identify when the market is moving up or down and to predict when how long the trend may last and when that trend might reverse.

*Fundamental Analysis.* We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell). Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

*Technical Analysis.* We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement. Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

*Cyclical Analysis.* In this type of technical analysis, we measure the movements of a particular stock against the overall market in an attempt to predict the price movement of the security.

## **Investment Strategies:**

*Long-Term Purchases.* When utilizing this strategy, we may purchase securities with the idea of holding them for a relatively long time (typically held for at least a year). A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantages of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

*Short-Term Purchases.* When utilizing this strategy, we may also purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

*Trading.* We purchase securities with the idea of selling them very quickly (typically within 30 days or less). We do this in an attempt to take advantage of our predictions of brief price swings.

*Short Sales.* We borrow shares of a stock for your portfolio from someone who owns the stock on a promise to replace the shares on a future date at a certain price. Those borrowed shares are then sold. On the agreed-upon future date, we buy the same stock and return the shares to the original owner. We engage in short selling based on our determination that the stock will go down in price after we have borrowed the shares. If we are correct and the stock price has gone down since the shares were purchased from the original owner, the client account realizes the profit.

*Margin Transactions.* We will purchase stocks for your portfolio with money borrowed from your brokerage account. This allows you to purchase more stock than you would be able to with your available cash, and allows us to purchase stock without selling other holdings.

*Option Writing.* We may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.

Investing in securities involves risk of loss that clients should be prepared to bear. While the stock market may increase and your account(s) could enjoy a gain, it is also possible that the stock market may decrease and your account(s) could suffer a loss. It is important that you understand the risks associated with investing in the stock market, are appropriately diversified in your investments, and ask us any questions you may have.

We generally invest client's cash balances in money market funds, FDIC Insured Certificates of Deposit, high-grade commercial paper and/or government backed debt instruments. Ultimately, we try to achieve the highest return on our client's cash balances through relatively low-risk conservative investments. In most cases, at least a partial cash balance will be maintained in a money market account so that our firm may debit advisory fees for our services related to asset management service, as applicable.

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## **Item 9. Disciplinary Information**

There are no legal or disciplinary events material to the evaluation of our advisory business or the integrity of our management.

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

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Some investment adviser representatives of our firm are registered representatives with Mutual Securities, Inc., a registered broker-dealer and Member FINRA/SIPC. Our firm is not affiliated with Mutual Securities, Inc. Our investment adviser representatives may offer securities and receive normal and customary commissions as a result of securities transactions. A conflict of interest may arise as these commissionable securities sales may create an incentive to recommend products based on the compensation our investment adviser representatives may earn and may not necessarily be in the best interests of the client.

Our firm and management person, Margaret Black, are registered with the National Futures Association (NFA) as a guarantee introducing broker and associated person, respectively.

Our firm or our management persons have a material relationship with the following related person(s) as follows:

1. Insurance Company:

BHWM owns BHWM Insurance Services and is registered with states BHWM Insurance Services does insurance business in. As such, we may offer insurance products and receive normal and customary fees as a result of insurance sales. A conflict of interest may arise as these insurance sales may create an incentive to recommend products based on the compensation adviser and/or our supervised persons may earn and may not necessarily be in the best interests of the client.

We utilize a number of general insurance agents for BHWM Insurance Services. These insurance agencies pay BHWM Insurance Services for insurance business they place. These insurance agencies are the subject matter experts of the insurance side. There is no conflict of interest between BHWM and our clients due to this relationship.

2. Trust Shareholder:

BHWM has a minority ownership interest (less than 10%) in a National Advisors Holdings, Inc. ("NAH") a Delaware corporation. The business purpose of NAH is as sole owner and operator of National Advisors Trust Company, FSB ("National Advisors Trust"), a Federal Savings Bank that offers personal trust, employee benefit services, IRA, and custodial services to clients on a national basis. National Advisors Trust is currently supervised by the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation.

Our firm intends to recommend the services offered by National Advisors Trust on a case-by-case basis to investment advisory clients. Our firm intends to recommend National Advisors Trust for client accounts in cases where fiduciary costs, access to investment products, technology support, or other service features offered by National Advisors Trust are deemed by BHWM to be advantageous to the client account or the client when compared with other trustee or custodial services which would indirectly benefit BHWM. BHWM does not directly share in any service fees charged to client accounts by National Advisors Trust.

3. Doing Business As:

Beverly Hills Wealth Management, LLC also holds a DBA named Maestro Advisory Services. Maestro Advisory Services is a technology business that provides platform and professional

services to financial service professionals. This does not involve nor effect advisory clients and therefore poses no conflicts of interests.

Beverly Hills Wealth Management, LLC also holds a DBA for Public Agency Financial Advisory (PAFA), a wholly owned subsidiary, which provides investment management, reporting, compliance and other operational support services for public agency funds.

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

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We recognize that the personal investment transactions of members and employees of our firm demand the application of a high Code of Ethics and require that all such transactions be carried out in a way that does not endanger the interest of any client. At the same time, we believe that if investment goals are similar for clients and for members and employees of our firm, it is logical and even desirable that there be common ownership of some securities.

Therefore, in order to prevent conflicts of interest, we have in place a set of procedures with respect to transactions effected by our members, officers and employees for their personal accounts<sup>3</sup>. In order to monitor compliance with our personal trading policy, we review the daily transactional trade blotter.

Furthermore, our firm has established a Code of Ethics which applies to all of our associated persons. An investment adviser is considered a fiduciary. As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. We have a fiduciary duty to all clients. Our fiduciary duty is considered the core underlying principle for our Code of Ethics which also includes Insider Trading and Personal Securities Transactions Policies and Procedures. We require all of our supervised persons to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Upon employment or affiliation and at least annually thereafter, all supervised persons will sign an acknowledgement that they have read, understand, and agree to comply with our Code of Ethics. Our firm and supervised persons must conduct business in an honest, ethical, and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. This disclosure is provided to give all clients a summary of our Code of Ethics. If a client or a potential client wishes to review our Code of Ethics in its entirety, a copy will be provided promptly upon request.

Related persons of our firm may buy or sell securities and other investments that are also recommended to clients. In order to minimize this conflict of interest, our related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics, a copy of which is available upon request.

Related persons of our firm may buy or sell securities for themselves at or about the same time they buy or sell the same securities for client accounts. In order to minimize this conflict of interest, our related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics, a copy of which is available upon request.

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<sup>3</sup> For purposes of the policy, our associate's personal account generally includes any account (a) in the name of our associate, his/her spouse, his/her minor children or other dependents residing in the same household, (b) for which our associate is a trustee or executor, or (c) which our associate controls, including our client accounts which our associate controls and/or a member of his/her household has a direct or indirect beneficial interest in.

## Item 12. Brokerage Practices

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A. Description of the factors that we consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

We seek to recommend a custodian/broker who will hold your assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others, these:

- Ability to maintain the confidentiality of trading intentions
- Timeliness of execution
- Timeliness and accuracy of trade confirmations
- Liquidity of the securities traded
- Willingness to commit capital
- Ability to place trades in difficult market environments
- Research services provided
- Ability to provide investment ideas
- Execution facilitation services provided
- Record keeping services provided
- Custody services provided
- Frequency and correction of trading errors
- Ability to access a variety of market venues
- Expertise as it relates to specific securities
- Financial condition
- Business reputation

With this in consideration, our firm has arrangements with Fidelity Institutional Wealth Services, division of Fidelity Brokerage Services LLC ("Fidelity") and the Schwab Institutional division of Charles Schwab & Co., Inc. ("Schwab") which provides our firm with custody services. The Custodian services include, among other things, brokerage, custodial, administrative support, record keeping and related services that are intended to support our firm in conducting business and in serving the best interests of our clients, but that may benefit our firm.

1. Research & Other Benefits:

Fidelity/Schwab makes certain research and brokerage services available at no additional cost to our firm. These services include certain research and brokerage services, including research services obtained by Fidelity/Schwab directly from independent research companies, as selected by our firm (within specific parameters). Research products and services provided by Fidelity/Schwab to our firm may include research reports on recommendations or other information about, particular companies or industries; economic surveys, data and analyses; financial publications; portfolio evaluation services; financial database software and services; computerized news and pricing services; quotation equipment for use in running software used in investment decision-making; and other products or services that provide lawful and appropriate assistance by Fidelity/Schwab to our firm in the performance of our investment decision-making responsibilities.

The aforementioned research and brokerage services are used by our firm to manage accounts for which we have investment discretion. Without this arrangement, our firm might be compelled to purchase the same or similar services at our own expense.

As a result of receiving the services discussed, we may have an incentive to continue to use or expand the use of Fidelity/Schwab services. Our firm examined this potential conflict of interest when we chose to enter into the relationship with Fidelity/Schwab and we have determined that the relationship is in the best interest of our firm's clients and satisfies our fiduciary obligations, including our duty to seek best execution.

Custodians charge brokerage commissions and 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 debt securities transactions). Fidelity/Schwab enable us to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. Fidelity/Schwab commission rates are generally discounted from customary retail commission rates. The commission and transaction fees charged by Fidelity/Schwab may be higher or lower than those charged by other custodians and broker-dealers.

Our clients may pay a Transaction fee to Fidelity/Schwab that is higher than another qualified broker dealer might charge to effect the same transaction where we determine in good faith that the transaction fee is 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 broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although we will seek competitive rates, to the benefit of all clients, we may not necessarily obtain the lowest possible commission rates for specific client account transactions.

We receive from Fidelity, and may from other custodians, certain additional economic benefits in the form of a credit pool for qualifying transactions called Soft Dollars. Soft Dollars are regulated under Section 28(e) of the Securities Exchange Act of 1934. This credit pool may be used toward obtaining products and services to assist our firm in managing and administering client accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of our fees from clients' accounts, and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of our accounts.

All soft dollars arrangements must be approved by our Chief Compliance Officer. A brief description of the purpose of the soft dollar arrangement outlining the benefits received by our firm and clients along with any noted concerns about increased costs to our clients and how such concerns were alleviated will be maintained. Our Chief Compliance Officer undertakes a review of parties which allow soft dollars and analyzes a number of criteria. When deciding whether to approve or disapprove of a soft dollar relationship, the following criteria is reviewed: the broker-dealer's business reputation and financial position and our

ability to consistently execute orders professionally and on a cost effective basis, provide prompt and accurate execution reports, prepare timely and accurate confirms, deliver securities or cash proceeds promptly and provide meaningful research services that are useful to us in investment decision-making or other desired and appropriate services. Our Chief Compliance Officer also annually reviews all our soft dollar relationships for appropriateness, benefits to our clients, etc.

As a fiduciary, we have an obligation to obtain "best execution" of clients' transactions under the circumstances of the particular transaction. Consequently, notwithstanding the safe harbor provided under Section 28(e) of the Securities Exchange Act of 1934, no allocation for soft dollar payments shall be made unless best execution of the transaction is reasonably expected to be obtained.

2. Brokerage for Client Referrals.

Our firm does not receive brokerage for client referrals.

3. Directed Brokerage.

Neither we nor any of our firm's related persons have discretionary authority in making the determination of the brokers with whom orders for the purchase or sale of securities are placed for execution, and the commission rates at which such securities transactions are effected. We routinely recommend that a client directs us to execute through a specified broker-dealer. Our firm recommends the use of Fidelity/Schwab. Each client of ours will be required to establish the account(s) with Fidelity/Schwab. Please note that not all advisers have this requirement.

We allow clients to direct brokerage outside our recommendation. We may be unable to achieve the most favorable execution of client transactions. Client directed brokerage may cost clients more money. For example, in a directed brokerage account, you may pay higher brokerage commissions because we may not be able to aggregate orders to reduce transaction costs, or you may receive less favorable prices.

B. Discussion of whether, and under what conditions, we aggregate the purchase or sale of securities for various client accounts in quantities sufficient to obtain reduced transaction costs (known as bunching). If we do not bunch orders when we have the opportunity to do so, we are required to explain our practice and describe the costs to clients of not bunching.

We perform investment management services for various clients. There are occasions on which portfolio transactions may be executed as part of concurrent authorizations to purchase or sell the same security for numerous accounts served by our firm, which involve accounts with similar investment objectives. Although such concurrent authorizations potentially could be either advantageous or disadvantageous to any one or more particular accounts, they are effected only when we believe that to do so will be in the best interest of the affected accounts. When such concurrent authorizations occur, the objective is to allocate the executions in a manner which is deemed equitable to the accounts involved. In any given situation, we attempt to allocate trade executions in the most equitable manner possible, taking into consideration client objectives, current asset allocation and availability of funds using price averaging, proration and consistently non-arbitrary methods of allocation.

### **Item 13. Review of Accounts or Financial Plans**

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- A. Review of client accounts or financial plans, along with a description of the frequency and nature of our review, and the titles of our employees who conduct the review.

We review accounts on at least a quarterly basis for our clients subscribing to our Asset Management service. The nature of these reviews is to learn whether clients' accounts are in line with their investment objectives, appropriately positioned based on market conditions, and investment policies, if applicable.

Financial Planning clients do not receive reviews of their written plans unless they take action to schedule a financial consultation with us. We do not provide ongoing services to financial planning clients, but are willing to meet with such clients upon their request to discuss updates to their plans, changes in their circumstances, etc.

- B. Review of client accounts on other than a periodic basis, along with a description of the factors that trigger a review.

We may review client accounts more frequently than described above. Among the factors which may trigger an off-cycle review are major market or economic events, the client's life events, requests by the client, etc.

- C. Description of the content and indication of the frequency of written or verbal regular reports we provide to clients regarding their accounts.

We do not provide written reports to clients, unless asked to do so. Verbal reports to clients take place on at least an annual basis when we contact clients.

### **Item 14. Client Referrals & Other Compensation**

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- A. If someone who is not a client provides an economic benefit to our firm for providing investment advice or other advisory services to our clients, we must generally describe the arrangement. For purposes of this Item, economic benefits include any sales awards or other prizes.

We may receive an economic benefit from Fidelity in the form of the support products and services it makes available to us and other independent investment advisors that have their clients maintain accounts at Fidelity. These products and services, how they benefit us, and the related conflicts of interest are described above (*see Item 12 – Brokerage Practices*). The availability to us of Fidelity's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

- B. If our firm or a related person directly or indirectly compensates any person who is not our employee for client referrals, we are required to describe the arrangement and the compensation.

We may pay referral fees (non-commission based) to independent solicitors (non-registered representatives) for the referral of their clients to our firm in accordance with Rule 206 (4)-3 of the Investment Advisers Act of 1940. Such referral fee represents a share of our investment advisory fee charged to our clients. This arrangement will not result in higher costs to you. In this regard, we maintain Solicitors Agreements in compliance with Rule 206 (4)-3 of the



Investment Advisers Act of 1940 and applicable state and federal laws. All clients referred by Solicitors to our firm will be given full written disclosure describing the terms and fee arrangements between our firm and Solicitor(s). In cases where state law requires licensure of solicitors, we ensure that no solicitation fees are paid unless the solicitor is registered as an investment adviser representative of our firm. If we are paying solicitation fees to another registered investment adviser, the licensure of individuals is the other firm's responsibility.

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### **Item 15. Custody**

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All of our clients receive at least quarterly account statements directly from their custodians. Upon opening an account with a qualified custodian on a client's behalf, we promptly notify the client in writing of the qualified custodian's contact information. If we decide to also send account statements to clients, such notice and account statements include a legend that recommends that the client compare the account statements received from the qualified custodian with those received from our firm.

We encourage our clients to raise any questions with us about the custody, safety or security of their assets. The custodians we do business with will send you independent account statements listing your account balance(s), transaction history and any fee debits or other fees taken out of your account.

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### **Item 16. Investment Discretion**

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Clients have the option of providing our firm with investment discretion on their behalf, pursuant to a signed investment advisory client agreement. By granting investment discretion, we are authorized to execute securities transactions, which securities are bought and sold, the total amount to be bought and sold, and the costs at which the transactions will be effected. Limitations may be imposed by the client in the form of specific constraints on any of these areas of discretion with our firm's written acknowledgement.

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### **Item 17. Voting Client Securities**

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We do not and will not accept the proxy authority to vote client securities. Clients will receive proxies or other solicitations directly from their custodian or a transfer agent. In the event that proxies are sent to our firm, we will forward them on to you and ask the party who sent them to mail them directly to you in the future. Clients may call, write or email us to discuss questions they may have about particular proxy votes or other solicitations.

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

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We are not required to provide financial information to our clients because:

- We do not require the prepayment of more than \$1,200 in fees when services cannot be rendered within 6 (six) months.
- We do not take custody of client funds or securities.
- We do not have a financial condition or commitment that impairs its ability to meet contractual and fiduciary obligations to clients.

Our firm has never been the subject of a bankruptcy proceeding.