

**Item 1: Cover Page**  
**Part 2A of Form ADV: Firm Brochure**  
**September 2015**

# **ERNST & Co.**

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## **WEALTH MANAGEMENT, LLC.**

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**Firm Contact:**  
**Michael P. Ernst**  
**Chief Compliance Officer**

This brochure provides information about the qualifications and business practices of Ernst & Co. Wealth Management, LLC. If clients have any questions about the contents of this brochure, please contact us at (310) 625-5803 or Michael@ErnstWealth.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any State Securities Authority. Additional information about our firm is also 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 our firm and/or our associates as "registered" does not imply a certain level of skill or training. Clients are encouraged to review this Brochure and Brochure Supplements for our firm's associates who advise clients for more information on the qualifications of our firm and our employees.

## **Item 2: Material Changes**

Ernst & Co. Wealth Management, LLC is required to make clients aware of information that has changed since the last annual update to the Firm Brochure ("Brochure") and that may be important to them. Clients can then determine whether to review the brochure in its entirety or to contact us with questions about the changes.

At this time we are converting from SEC to California Department of Business Oversight registration.

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## **Item 4: Advisory Business**

Our firm is dedicated to providing individuals and other types of clients with a wide array of investment advisory services. Our firm is a limited liability company formed under the laws of the State of California in 2015. Our firm is wholly owned by Michael P. Ernst.

Our firm provides asset management and investment consulting services for many different types of clients to help meet their financial goals while remaining sensitive to risk tolerance and time horizons. As a fiduciary it is our duty to always act in the client's best interest. This is accomplished in part by knowing the client. Our firm has established a service-oriented advisory practice with open lines of communication. Working with clients to understand their investment objectives while educating them about our process, facilitates the kind of working relationship we value.

CCR Section 260.235.2 requires that we disclose to our financial planning clients that a conflict of interest exists between us and our clients. The client is under no obligation to act upon the investment adviser's recommendation. If the client elects to act on our recommendations, the client is under no obligation to effect the transaction through us.

All material conflicts of interest under CCR Section 260.238 (k) are disclosed below regarding our firm, our representatives or our employees, which could be reasonably expected to impair the rendering of unbiased and objective advice. To comply with CCR Section 260.238(j), we disclose that lower fees for comparable services may be available from other sources.

### **Types of Advisory Services Offered**

#### **Financial Planning & Consulting:**

Our firm provides a variety of standalone financial planning and consulting services to clients for the management of financial resources based upon an analysis of current situation, goals, and objectives. Financial planning services will typically involve preparing a financial plan or rendering a financial consultation for clients based on the client's financial goals and objectives. Our planning or consulting may encompass Investment Planning, Retirement Planning, Estate Planning, Charitable Planning, Education Planning, Cost Segregation Study, Corporate Structure, Real Estate Analysis, Mortgage/Debt Analysis, Insurance Analysis, Lines of Credit Evaluation, or Business and Personal Financial Planning.

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. Implementation of the recommendations will be at the discretion of the client. Our firm provides clients with a summary of their financial situation, and observations for financial planning engagements. Financial consultations are not typically accompanied by a written summary of observations and recommendations, as the process is less formal than the planning service.

#### **Asset Management:**

As part of our Asset Management service, a portfolio is created, consisting of individual stocks, 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. Portfolios will be designed to meet a particular investment goal, determined to be suitable to the client's circumstances. Once the appropriate

portfolio has been determined, portfolios are continuously and regularly monitored, and if necessary, rebalanced based upon the client's individual needs, stated goals and objectives.

### **Comprehensive Portfolio Management:**

As part of our Comprehensive Portfolio Management service clients will be provided asset management and financial planning or consulting services. This service is designed to assist clients in meeting their financial goals through the use of a financial plan or consultation. Our firm conducts client meetings to understand their current financial situation, existing resources, financial goals, and tolerance for risk. Based on what is learned, an investment approach is presented to the client, consisting of individual stocks, bonds, ETFs, options, mutual funds and other public and private securities or investments. Once the appropriate portfolio has been determined, portfolios are continuously and regularly monitored, and if necessary, rebalanced based upon the client's individual needs, stated goals and objectives. Upon client request, our firm provides a summary of observations and recommendations for the planning or consulting aspects of this service.

### **Referrals to Third Party Money Managers:**

Our firm utilizes the services of a third party money manager for the management of client accounts. Investment advice and trading of securities will only be offered by or through the chosen third party money manager. Our firm will not offer advice on any specific securities or other investments in connection with this service. Prior to referring clients, our firm will provide initial due diligence on third party money managers and ongoing reviews of their management of client accounts. In order to assist in the selection of a third party money manager, our firm will gather client information pertaining to financial situation, investment objectives, and reasonable restrictions to be imposed upon the management of the account.

Our firm will periodically review third party money manager reports provided to the client at least annually. Our firm will contact clients from time to time in order to review their financial situation and objectives; communicate information to third party money managers as warranted; and, assist the client in understanding and evaluating the services provided by the third party money manager. Clients will be expected to notify our firm of any changes in their financial situation, investment objectives, or account restrictions that could affect their financial standing.

### **Tailoring of Advisory Services**

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Our firm offers individualized investment advice to our asset management clients. General investment advice will be offered to our Financial Planning & Consulting and Referrals to Third Party Money Management clients.

Each client has the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio. Restrictions on investments in certain securities or types of securities may not be possible due to the level of difficulty this would entail in managing the account.

### **Participation in Wrap Fee Programs**

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Our firm does not offer or sponsor a wrap fee program.

## **Regulatory Assets Under Management**

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Our firm manages \$0 on a discretionary basis and \$0 on a non-discretionary basis.

### **Item 5: Fees & Compensation**

#### **Compensation for Our Advisory Services**

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##### **Financial Planning & Consulting:**

Our firm charges on an hourly basis for financial planning and consulting services. The total estimated fee, as well as the ultimate fee charged, is based on the scope and complexity of our engagement with the client. The maximum hourly fee to be charged will not exceed \$250. Our firm requires a retainer of fifty-percent of the ultimate financial planning or consulting fee at the time of signing. The remainder of the fee will be directly billed to the client and due within thirty days of a financial plan being delivered or consultation rendered. Our firm will not require a retainer exceeding \$500 when services cannot be rendered within 6 months.

##### **Asset Management:**

<b>Assets Under Management</b>	<b>Annual Percentage of Assets Charge</b>
\$0 to \$249,999.99	1.50%
\$250,000 to \$499,999.99	1.35%
\$500,000 to \$999,999.99	1.20%
\$1,000,000 to \$2,999,999.99	1.00%
Over \$3,000,000	0.80%

Annualized fees are billed on a pro-rata basis quarterly in advance based on the value of the account(s) on the last day of the previous quarter. Fees are negotiable and will be deducted from client account(s). Adjustments will be made for deposits and withdrawals during the quarter.

- a) Clients must provide our firm with written authorization permitting direct payment of advisory fees from their account(s) maintained by a custodian who is independent of our firm;
- b) Our firm sends quarterly statements to the client showing the fee amount, the value of the assets upon which the fee is based, and the specific manner in which the fee is calculated as well as disclosing that it is the client's responsibility to verify the accuracy of fee calculation, and that the custodian does not determine its accuracy; and
- c) The account custodian sends a statement to the client, at least quarterly, showing all account disbursements, including advisory fees.

##### **Comprehensive Portfolio Management:**

<b>Assets Under Management</b>	<b>Annual Percentage of Assets Charge</b>
\$0 to \$249,999.99	1.60%
\$250,000 to \$499,999.99	1.45%
\$500,000 to \$999,999.99	1.30%
\$1,000,000 to \$2,999,999.99	1.10%
Over \$3,000,000	0.90%

Annualized fees are billed on a pro-rata basis quarterly in advance based on the value of the account(s) on the last day of the previous quarter. Fees are negotiable and will be deducted from client account(s). Adjustments will be made for deposits and withdrawals during the quarter.

- a) Clients must provide our firm with written authorization permitting direct payment of advisory fees from their account(s) maintained by a custodian who is independent of our firm;
- b) Our firm sends quarterly statements to the client showing the fee amount, the value of the assets upon which the fee is based, and the specific manner in which the fee is calculated as well as disclosing that it is the client's responsibility to verify the accuracy of fee calculation, and that the custodian does not determine its accuracy; and
- c) The account custodian sends a statement to the client, at least quarterly, showing all account disbursements, including advisory fees.

### **Referrals to Third Party Money Managers:**

The billing procedures for this service vary based on the chosen third party money manager. The total fee to be charged, as well as the billing cycle, will be detailed in the third party money manager's ADV Part 2A and separate advisory agreement to be signed by the client.

### **Other Types of Fees & Expenses**

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Clients will incur transaction charges for trades executed in their accounts. These transaction fees are separate from our firm's advisory fees and will be disclosed by the chosen custodian. Clients may also pay 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, initial or deferred sales charges, mutual fund sales loads, 12b-1 fees, surrender charges, variable annuity fees, IRA and qualified retirement plan fees, and other fund expenses). Our firm does not receive a portion of these fees.

### **Termination & Refunds**

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Either party may terminate an executed advisory agreement for management services in writing at any time. Upon notice of termination our firm will process a pro-rata refund of any unearned fees.

Financial Planning & Consulting clients may terminate their agreement at any time before the delivery of a financial plan or rendering of consulting services by providing written notice. For purposes of calculating refunds, all work performed by us up to the point of termination shall be calculated at the hourly fee currently in effect. Clients will receive a pro-rata refund of unearned fees based on the time and effort expended by our firm.

### **Commissionable Securities Sales**

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Our firm and representatives do not sell securities for a commission in advisory accounts.

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

Qualified clients may elect to be charged on a performance fee basis. The definition of "qualified clients" can be found in CCR Section 260.234.

“Qualified Client” pursuant to CCR 260.234 as defined in paragraph (d) of Rule 205-3 (17 CFR 275.205-3(d)) under the Investment Advisers Act of 1940 (Section 80b-1 et seq.):

- (i) A natural person who or a company that immediately after entering into the contract has at least \$1,000,000 under the management of the investment adviser;*
- (ii) A natural person who or a company that the investment adviser entering into the contract (and any person acting on his behalf) reasonably believes, immediately prior to entering into the contract, either:*
  - (A) Has a net worth (together, in the case of a natural person, with assets held jointly with a spouse) of more than \$2,000,000, at the time the contract is entered into; or*
  - (B) Is a qualified purchaser as defined in section 2(a)(51)(AA) of the Investment Company Act of 1940 (15U.S.C. 80a-2(51)(A)) at the time the contract is entered into; or*
- (iii) A natural person who immediately prior to entering into the contract is:*
  - (A) An executive officer, director, trustee, general partner or person serving in similar capacity, of the investment adviser; or*
  - (B) An employee of the investment adviser (other than an employee performing solely clerical, secretarial or administrative functions with regard to the investment adviser) who, in connection with his or her regular functions or duties, participates in the investment activities of such investment adviser, provided that such employee has been performing such functions and duties for or on behalf of the investment adviser, or substantially similar functions or duties for or on behalf of another company for at least 12 months.*

In addition to the advisory fee charged in Item 5 of this brochure, our firm charges up to 15% of the net profits (i.e., profits after our management fee has been deducted) achieved for the previous quarter’s account management. The performance fee is payable only if the net profits in the client account(s) exceed the performance calculation of the previous year (a “high water mark”). At our discretion, our firm may waive all or any portion of the performance fee or may agree with a client to other changes to the performance fee by written agreement only.

In charging performance fees to some client accounts, our firm faces a conflict of interest as our firm can potentially receive greater fees from client accounts having a performance-based compensation structure than from accounts only charged an advisory fee. As a result, there exists 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. Our firm has taken important steps to ensure that our performance based accounts are not favored over our client’s non-performance fee based accounts.

Performance based and non-performance based accounts are periodically reviewed and compared to mitigate the potential conflict of inequitable treatment. We take care to ensure that there are no irregularities in trading practices of performance based and non-performance accounts, such as disproportionate allocations of more profitable securities in block trading or giving priority to performance based accounts to certain investments.

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

Our firm has the following types of clients:

- Individuals and High Net Worth Individuals;
- Trusts, Estates or Charitable Organizations;
- Corporations, Limited Liability Companies and/or Other Business Types

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



- Our firm requires a minimum account balance of \$500,000 for our Comprehensive Portfolio Management or Asset Management service. This minimum account balance requirement is negotiable. All minimums are required to be maintained throughout the course of the client's relationship with our firm.

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

### Methods of Analysis

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

**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.

**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.

**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.

**Asset Allocation:** Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance. A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

**Mutual Fund and/or ETF Analysis:** We look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the client's portfolio. We also monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy. A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the

risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

**Third-Party Money Manager Analysis:** We examine the experience, expertise, investment philosophies, and past performance of independent third-party investment managers in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We monitor the manager's underlying holdings, strategies, concentrations and leverage as part of our overall periodic risk assessment. Additionally, as part of our due-diligence process, we survey the manager's compliance and business enterprise risks. A risk of investing with a third-party manager who has been successful in the past is that he/she may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a third-party manager's portfolio, there is also a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients. Moreover, as we do not control the manager's daily business and compliance operations, we may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

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

### **Investment Strategies**

We use the following strategies in managing client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations. Typically we employ this strategy when we believe the securities to be currently undervalued, and/or we want exposure to a particular asset class over time, regardless of the current projection for this class.

**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. Typically we employ this sub-strategy when we believe the securities to be well valued; and/or we want exposure to a particular asset class over time, regardless of the current projection for this class.

**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. The two types of options are calls and puts. A call gives us the right to buy an asset at a certain price within a specific period of time. We will buy a call if we have determined that the stock will increase substantially before the option expires. A put gives us the holder the right to sell an asset at a certain price within a specific period of time. We will buy a put if we have determined that the price of the stock will fall before the option expires.

We will use options to "hedge" a purchase of the underlying security; in other words, we will use an option purchase to limit the potential upside and downside of a security we have purchased for your portfolio. We use "covered calls", in which we sell an option on security you own. In this strategy, you receive a fee for making the option available, and the person purchasing the option has the right to buy the security from you at an agreed-upon price. We use a "spreading strategy", in which we purchase two or more option contracts (for example, a call option that you buy and a call option that you sell) for the same underlying security. This effectively puts you on both sides of the market, but with the ability to vary price, time and other factors.

Our firm generally invests client cash balances in money market funds, FDIC Insured Certificates of Deposit, high-grade commercial paper and/or government backed debt instruments. Ultimately, our firm tries to achieve the highest return on client 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 our Asset Management and Comprehensive Portfolio Management services, as applicable.

**Please Note:** All investments involve risk - coins and bullion are no exception. Though precious metals have always retained some value, Ernst & Co. Wealth Management, LLC makes no guarantee that coins or bars may be sold back at a profit, or that any investment can be made without risk of loss of principle.

Past performance does not guarantee future performance. Markets are constantly changing, and though individuals and institutions may make educated predictions regarding the future of precious metals, investments, and the economy, such predictions cannot be made with certainty. While bullion coins and bars are priced for the most part in accordance with the value of the metal they contain, semi-numismatic and rare coins have numerous other factors that contribute to value. These factors include intrinsic value (metal value), speculative interest, collector and investor demand, available supply, industry promotions, perceived value, and economic conditions. These coins may increase or decrease in value, regardless of and at times in opposition to changes in precious metals spot prices. Grades and descriptions of coins are opinions based on standards and interpretations that can and do change over time.

The goal of any balanced portfolio is diversification. A diversified portfolio will contain non-correlated assets, and the statistical correlation between gold and stocks is virtually zero. While precious metals and coin investments provide a useful and effective means of diversifying a portfolio, precious metals may not be suitable for all investors.

### **Item 9: Disciplinary Information**

Our firm and management personnel have nothing to disclose under the aforementioned standard.

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

Mr. Ernst is the CEO of Guardian Precious Metals, Inc., a precious metals company (“Guardian”). Guardian provides investment grade gold, silver, platinum, and palladium for sale to investors. Mr. Ernst does not devote any time during trading hours with this outside activity. A conflict of interest exists as his recommendation to advisory clients to invest in precious metals through Guardian results in indirect compensation to Mr. Ernst through these transactions. To mitigate the conflict of interest Mr. Ernst and Ernst & Co., as fiduciaries, will act in the client’s best interest and disclose all fees to the client prior to transacting through Guardian on their behalf. Please see Item 8 for more information about the risks involved with investing in precious metals.

Please see Item 4 above for more information about the selection of third party money managers. The compensation paid to our firm by third party managers may vary, and thus, creates a conflict of interest in recommending a manager who shares a larger portion of its advisory fees over another manager. Prior to referring clients to third party advisors, our firm will ensure that third party advisors are licensed or notice filed with the respective authorities. A potential conflict of interest in utilizing third party advisors may be an incentive to us in selecting a particular advisor over another in the form of fees or services. In order to minimize this conflict our firm will make our recommendations/selections in the best interest of our clients.

Representatives of our firm are licensed real estate agents. As a result, they may receive customary fees associated with real estate transactions. These services are independent of our advisory services and are governed under a separate engagement agreement. Clients are under no obligation to utilize this service and will not be actively solicited.

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

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. Our fiduciary duty is the underlying principle for our firm’s Code of Ethics, which includes procedures for personal securities transaction and insider trading. Our firm requires all representatives 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 with our firm, and at least annually thereafter, all representatives of our firm will acknowledge receipt, understanding and compliance with our firm’s Code of Ethics. Our firm and representatives 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.

Our firm recognizes that the personal investment transactions of our representatives demands the application of a Code of Ethics with high standards and requires that all such transactions be carried out in a way that does not endanger the interest of any client. At the same time, our firm also believes that if investment goals are similar for clients and for our representatives, it is logical, and even desirable, that there be common ownership of some securities.

In order to prevent conflicts of interest, our firm has established procedures for transactions effected by our representatives for their personal accounts<sup>1</sup>. In order to monitor compliance with our personal trading policy, our firm has pre-clearance requirements and a quarterly securities transaction reporting system for all of our representatives.

Neither our firm nor a related person recommends, buys or sells for client accounts, securities in which our firm or a related person has a material financial interest without prior disclosure to the client.

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.

Likewise, related persons of our firm 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. Further, our related persons will refrain from buying or selling the same securities prior to buying or selling for our clients in the same day. If related persons' accounts are included in a block trade, our related persons will always trade personal accounts last.

## **Item 12: Brokerage Practices**

### **Selecting a Brokerage Firm**

Our firm does not maintain custody of client assets. Client assets must be maintained by a qualified custodian. Our firm seeks to recommend a custodian who will hold client assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. The factors considered, among others, are these:

- Timeliness of execution
- Timeliness and accuracy of trade confirmations
- Research services provided
- Ability to provide investment ideas
- Execution facilitation services provided
- Record keeping services provided
- Custody services provided

<sup>1</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.

- 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
- Quality of services

With this in consideration, our firm has an arrangement with Interactive Brokers LLC (“IB”), a qualified custodian from whom our firm is independently owned and operated. IB offers services to independent investment advisers which includes custody of securities, trade execution, clearance and settlement of transactions. IB enables us to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. IB does not charge client accounts separately for custodial services. Client accounts will be charged transaction fees, commissions or other fees on trades that are executed or settle into the client’s custodial account. Transaction fees are negotiated with IB and are generally discounted from customary retail commission rates. This benefits clients because the overall fee paid is often lower than would be otherwise.

IB may make certain research and brokerage services available at no additional cost to our firm. Research products and services provided by IB 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 IB to our firm in the performance of our investment decision-making responsibilities. The aforementioned research and brokerage services qualify for the safe harbor exemption defined in Section 28(e) of the Securities Exchange Act of 1934.

IB does not make client brokerage commissions generated by client transactions available for our firm’s use. The aforementioned research and brokerage services are used by our firm to manage accounts. Without this arrangement, our firm might be compelled to purchase the same or similar services at our own expense.

As part of our fiduciary duty to our clients, our firm will endeavor at all times to put the interests of our clients first. Clients should be aware, however, that the receipt of economic benefits by our firm or our related persons creates a potential conflict of interest and may indirectly influence our firm’s choice of IB as a custodial recommendation. Our firm examined this potential conflict of interest when our firm chose to recommend IB and have determined that the recommendation is in the best interest of our firm’s clients and satisfies our fiduciary obligations, including our duty to seek best execution.

Our clients may pay a transaction fee or commission to IB that is higher than another qualified broker dealer might charge to effect the same transaction where our firm determines in good faith that the commission is reasonable in relation to the value of the brokerage and research services provided to the client as a whole.

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. Although our firm will seek competitive rates, to the benefit of all clients,

our firm may not necessarily obtain the lowest possible commission rates for specific client account transactions.

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**Soft Dollars**

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Our firm does not receive soft dollars in excess of what is allowed by Section 28(e) of the Securities Exchange Act of 1934. The safe harbor research products and services obtained by our firm will generally be used to service all of our clients but not necessarily all at any one particular time.

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**Client Brokerage Commissions**

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This item is not applicable, as our firm's first fiscal year has not yet been completed.

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**Client Transactions in Return for Soft Dollars**

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This item is not applicable, as our firm's first fiscal year has not yet been completed.

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**Brokerage for Client Referrals**

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Our firm does not receive brokerage for client referrals.

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**Directed Brokerage**

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Neither our firm nor any of our firm's representatives have discretionary authority in making the determination of the brokers-dealers and/or custodians 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. Our firm routinely recommends that clients direct us to execute through a specified broker-dealer. Our firm recommends the use of IB. Each client will establish their account(s) with IB through which we will maintain access for management purposes.

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**Client-Directed Brokerage**

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Our firm allows clients to direct brokerage outside our recommendation. If a client chooses to do so, we may be unable to achieve the most favorable execution of transactions. For example, in a directed brokerage account, clients may pay higher brokerage commissions because our firm may not be able to aggregate orders to reduce transaction costs, or clients may receive less favorable prices from their chosen custodian.

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**Aggregation of Purchase or Sale**

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Our firm provides 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 affected only when our firm believes that to do so will be in the best interest of the effected 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, our firm attempts 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**

Mr. Ernst reviews accounts on at least a quarterly basis for our Asset Management, Comprehensive Portfolio Management, and Third Party Money Management clients. The nature of these reviews is to learn whether client accounts are in line with their investment objectives, appropriately positioned based on market conditions, and investment policies, if applicable. Our firm does not provide written reports to clients, unless asked to do so. Verbal reports to clients take place on at least an annual basis.

Our firm 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.

Financial Planning clients do not receive reviews of their written plans unless they take action to schedule a financial consultation with us. Our firm does 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. Financial Planning clients do not receive written or verbal updated reports regarding their financial plans unless they separately engage our firm for a post-financial plan meeting or update to their initial written financial plan.

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

#### **Referral Fees**

Our firm pays referral fees (non-commission based) to independent solicitors (non-registered representatives) for the referral of their clients to our firm in accordance with relevant state statutes and rules. Such referral fee represents a share of our investment advisory fee charged to our clients. This arrangement will not result in higher costs to the referred client. In this regard, our firm maintains Solicitors Agreements in compliance with relevant state statutes and rules 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, our firm ensures that no solicitation fees are paid unless the solicitor is registered as an investment adviser representative of our firm. If our firm is paying solicitation fees to another registered investment adviser, the licensure of individuals is the other firm's responsibility.

### **Item 15: Custody**

Our firm does not have custody of client funds or securities. All of our clients receive account statements directly from their qualified custodians at least quarterly upon opening of an account. If our firm decides 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. Clients are encouraged to raise any questions with us about the custody, safety or security of their assets and our custodial recommendations.



### **Item 16: Investment Discretion**

Our firm does not accept discretionary authority to manage securities accounts on behalf of clients.

### **Item 17: Voting Client Securities**

Our firm does 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, our firm will forward them to the appropriate client and ask the party who sent them to mail them directly to the client in the future. Clients may call, write or email us to discuss questions they may have about particular proxy votes or other solicitations.

### **Item 18: Financial Information**

Our firm is not required to provide financial information in this Brochure because:

- Our firm does not require the prepayment of more than \$500 in fees and six or more months in advance.
- Our firm does not take custody of client funds or securities.
- Our firm does not have a financial condition or commitment that impairs our ability to meet contractual and fiduciary obligations to clients.

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

### **Item 19: Requirements for State Registered Advisers**

#### **Michael Patrick Ernst**

**Year of Birth:** 1967

Michael P. Ernst graduated from San Diego State University in June 1994 with a Bachelor of Science Degree in Economics. Michael has always had a keen interest in finance and economics and decided to apply that interest when he began his career with Morgan Stanley Wealth Management as an Account Executive in July 1994. Michael's job involved advising clients in wealth planning and investment strategies, with the ultimate goal of helping his clients meet their most important concerns and achieve their most coveted financial goals utilizing specific risk management, asset diversification, and growth strategies. After Morgan Stanley Wealth Management, Michael applied his passion and devotion as an entrepreneur to finance several successful startup companies in the internet and technology sector culminating with employment as CEO of G2 Technologies from 2009 to 2011.

Throughout his career, Michael has remained an active investor with a focus on risk management, sound fundamental analysis and growth strategies. In 2011 he opened an office in Manhattan Beach to focus exclusively on managing his personal and family investment accounts. In 2013 Michael accepted a consulting position with GoldSilver.com where he applied his knowledge of economics, finance and business to help re-position the company after the precious metals market correction. In 2014 Michael completed his work with the company and went on to establish Guardian Precious Metals, Inc., a precious metals company that provides investment grade gold, silver, platinum, and palladium for sale to investors. Michael also obtained his real estate license in 2014.

Michael's experience in investment finance and as a successful entrepreneur give him a deep understanding and appreciation of the challenges faced by successful individuals and businesses alike in managing their wealth and planning for retirement. That experience and drive inspired Michael to establish Ernst & Co. Wealth Management, LLC in 2015. Ernst & Co. Wealth Management, LLC is a boutique wealth management firm with a focus on cultivating highly person relationships with clients and focusing on their individual needs. Built on the cornerstones of Discipline, Patience, and Conviction, Ernst & Co. Wealth Management, LLC offers a full suite of advisory services. The company's mission is to provide clients with the best path to wealth accumulation, retention, and transfer of assets by creating and implementing strategies that are tailored to their unique goals.

Please see Item 10 of this Firm Brochure for any other business in which our firm is actively engaged. Our firm charges performance based fees in accordance with Item 6 of this Brochure. Additionally, clients are hereby advised that performance-based compensation creates an incentive for our firm to recommend an investment that may carry a higher degree of risk.

Our firm and management persons have not been involved in any arbitration awards, found liable in any civil, self-regulatory organization or administrative proceedings or have any relationships with issuers or securities apart from what is disclosed above.

As stated on Item 10 of this Firm Brochure which outlines any other business in which our firm is actively engaged, Mr. Ernst is the CEO of Guardian Precious Metals, Inc., a precious metals company ("Guardian"). Guardian provides investment grade gold, silver, platinum, and palladium for sale to investors. Mr. Ernst does not devote any time during trading hours with this outside activity. A conflict of interest exists as his recommendation to advisory clients to invest in precious metals through Guardian results in indirect compensation to Mr. Ernst through these transactions. To mitigate the conflict of interest Mr. Ernst and Ernst & Co., as fiduciaries, will always put the client's best interest above their own and disclose all fees to the client prior to transacting through Guardian on their behalf.

As stated in Item 10 and Item 4, our firm utilizes the services of a third party money manager for the management of client accounts. The compensation paid to our firm by third party managers may vary, and thus, creates a conflict of interest in recommending a manager who shares a larger portion of its advisory fees over another manager. Prior to referring clients to third party advisors, our firm will ensure that third party advisors are licensed or notice filed with the respective authorities. A potential conflict of interest in utilizing third party advisors may be an incentive to us in selecting a particular advisor over another in the form of fees or services. In order to minimize this conflict our firm will make our recommendations/selections in the best interest of our clients. Please refer to Item 4 of this Firm Brochure for more information about our selection process for third part money managers.

Additionally, representatives of our firm are licensed real estate agents. As a result, they may receive customary fees associated with real estate transactions. These services are independent of our advisory services and are governed under a separate engagement agreement. Clients are under no obligation to utilize this service and will not be actively solicited

Further Information regarding participation of interest in client transactions can be found in our Code of Ethics as well as Item 11 of this Brochure. Clients may obtain a copy of our Code of Ethics by contacting Michael P. Ernst, Chief Compliance Officer at (310) 625-5803.