

**Item 1 – Cover Page**

**XML FINANCIAL, LLC**

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This brochure provides information about the qualifications and business practices of XML Financial, LLC (hereinafter “XML Financial” or the “Firm”). If you have any questions about the contents of this brochure, please contact the Firm at (301) 770-5234. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

The Firm is a registered investment adviser. Registration does not imply any level of skill or training. The oral and written communications of the Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about the Firm is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for XML Financial is 284987.

**Item 2. Material Changes**

This Item of the Brochure discusses only specific material changes that are made to the Brochure and provides clients with a summary of such changes. The material change to this Disclosure Brochure since the last update that was dated March 31, 2018 is:

In July 2018, Focus Financial Partners Inc. (“Focus Pubco”) commenced an initial public offering (“IPO”) of shares of common stock. Focus Pubco is the sole managing member of Focus Financial Partners, LLC (“Focus LLC”) and, immediately following the IPO, owned an approximately two-thirds economic interest in Focus LLC. Because XML Financial is an indirect, wholly-owned subsidiary of Focus LLC, XML Financial is now an indirect, majority-owned subsidiary of Focus Pubco, a public company. Item 4 has been revised to reflect this new ownership structure.

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## Item 4. Advisory Business

XML Financial offers a variety of advisory services, which include financial planning, consulting, and investment management services. Prior to XML Financial rendering any of the foregoing advisory services, clients are required to enter into one or more written agreements with XML Financial setting forth the relevant terms and conditions of the advisory relationship (the “Advisory Agreement”).

XML Financial was formed in 2016. XML Financial will sometimes hold itself out by its DBA name, “XML Financial Group.”

### FOCUS OPERATING, LLC and FOCUS FINANCIAL PARTNERS, LLC

XML Financial is part of the Focus Financial Partners partnership. As such, XML Financial is a wholly-owned subsidiary of Focus Operating, LLC (“Focus Operating”), which is a wholly-owned subsidiary of Focus Financial Partners, LLC (“Focus LLC”). Focus Financial Partners Inc. (“Focus Pubco”), a public company traded on the NASDAQ Global Select Market, is the sole managing member of Focus LLC and, immediately following the IPO, owned an approximately two-thirds economic interest in Focus LLC. Thus, Focus Pubco is a direct owner of Focus LLC and an indirect owner of the Focus Partner Firms. Focus Pubco has no single 25%-or-greater shareholder, and Focus LLC has no single 25%-or-greater member (other than Focus Pubco). However, investment vehicles affiliated with Stone Point Capital LLC collectively have a greater-than-25% voting interest in Focus Pubco. Such investment vehicles collectively have a greater-than-25% voting interest in Focus LLC through their voting interest in Focus Pubco. As the sole managing member of Focus LLC, Focus Pubco has 100% voting control over Focus LLC, and thus such investment vehicles’ collectively greater-than-25% voting interest in Focus Pubco also gives them a collectively greater-than-25% voting interest in Focus LLC.

Focus LLC owns registered investment advisers, broker-dealers, pension consultants, insurance firms, and other financial service firms (the “Focus Partners”), most of which provide wealth management, benefit consulting and investment consulting services to individuals, families, employers, and institutions. Some Focus Partners also manage or advise limited partnerships, private funds, or investment companies as disclosed on their respective Form ADVs.”

Focus LLC and Focus Pubco are principally owned by investment vehicles managed by Stone Point Capital LLC (“Stone Point”). Investment vehicles managed by Kohlberg Kravis Roberts & Co. L.P. (“KKR”) are minority owners of Focus LLC and Focus Pubco. Because XML Financial is an indirect, wholly-owned subsidiary of Focus LLC and Focus Pubco, the Stone Point and KKR investment vehicles are indirect owners of XML Financial

As of December 31, 2017, the firm managed \$500,263,722 in discretionary assets under management.

While this brochure generally describes the business of XML Financial, certain sections also discuss the activities of its Supervised Persons, which refer to the Firm's officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees or any other person who provides investment advice on XML Financials' behalf and is subject to the Firm's supervision or control.

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

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As a compliment to its investment advisory services, XML Financial provides advice in the form of financial planning. In general, XML Financial offers clients a broad range of holistic financial planning and consulting services, including the following:

- Retirement Planning
- Cash Flow Planning
- Trust and Estate Planning
- Educational Planning
- Insurance Planning
- Tax Planning

Clients retain discretion over all decisions regarding implementation of financial planning and consulting recommendations, and are under no obligation to act upon any of the recommendations made by XML Financial under a financial planning or consulting engagement. Clients are advised that it remains their responsibility to promptly notify the Firm of any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising XML Financials' recommendations and/or services.

### **Investment Management Services**

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XML Financial manages client investment portfolios. XML Financial allocates client assets among various mutual funds and exchange-traded funds ("ETFs"), as well as some individual debt and equity securities, and options in accordance with clients' stated investment objectives.

XML Financial tailors its advisory services to meet the needs of its individual clients and seeks to ensure that client portfolios are managed in a manner consistent with those needs and objectives. XML Financial consults with clients on an initial and periodic basis to assess their specific risk tolerance, time horizon, liquidity constraints and other related factors relevant to the management of their portfolios. Clients are advised to promptly notify XML Financial if there are changes in their financial situation or if they wish to place any limitations on the management of their portfolios. Clients may impose reasonable restrictions or mandates on the management of their accounts.

XML Financial will monitor the performance of those accounts being managed by independent investment managers within separately managed accounts ("Independent Managers") and will terminate or change

independent managers when the Firm believe it is in the client's best interests. XML Financial seeks to ensure the Independent Managers' strategies and target allocations remain aligned with its clients' investment objectives and overall best interests. XML Financial does not currently review Independent Managers as new investments as part of the Firm's Investment Management Services.

When agreed upon, the Firm will also provide advice about a legacy position or other investment held in client portfolios. Clients may engage XML Financial to manage and/or advise on certain investment products that are not maintained at their primary custodian, such as variable life insurance and annuity contracts and assets held in employer sponsored retirement plans and qualified tuition plans (i.e., 529 plans). In these situations, XML Financial directs or recommends the allocation of client assets among the various investment options available within the product. These assets are generally maintained at the underwriting insurance company or the custodian designated by the product's provider.

### **Retirement Plan Consulting Services**

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XML Financial provides various consulting services to qualified employee benefit plans and their fiduciaries. This suite of institutional services is designed to assist plan sponsors in structuring, managing and optimizing their corporate retirement plans. Each engagement is individually negotiated and customized, including the following:

- Plan Design and Strategy
- Plan Review and Evaluation
- Executive Planning & Benefits
- Investment Selection
- Plan Fee and Cost Analysis
- Plan Committee Consultation
- Fiduciary and Compliance
- Participant Education

As disclosed in the Advisory Agreement, certain of the foregoing services are provided by XML Financial as a fiduciary under the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). In accordance with ERISA Section 408(b)(2), each plan sponsor is provided with a written description of XML Financials’ specific services to be rendered, whether such services are ERISA fiduciary services, and all direct and indirect compensation the Firm reasonably expects under the engagement.

### **ERISA Plan Services**

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XML Financial is a fiduciary under the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) with respect to investment management services and investment advice provided to ERISA plan clients, including ERISA plan participants. XML Financial is also a fiduciary under the Internal Revenue Code (the “IRC”) with respect to investment management services and investment advice provided to ERISA plans, ERISA plan participants, IRAs and IRA owners. As such, XML Financial is subject to specific duties and obligations under ERISA and the IRC that include, among other things, prohibited transaction rules which are intended to prohibit fiduciaries from acting on conflicts of interest. When a fiduciary gives advice in which it has a conflict of interest, the fiduciary must either avoid or eliminate the conflict or rely upon a prohibited transaction exemption (a “PTE”).

A conflict of interest arises and the prohibited transaction rules are implicated when XML Financial recommends that an ERISA plan participant take a distribution from an ERISA Plan and roll it over to an IRA that XML Financial advises or if XML Financial recommends that an IRA owner transfer his IRA to an IRA that XML Financial advises because XML Financial will receive compensation that it would not have received absent the recommendation – i.e., the IRA advisory fee. When XML Financial engages in this transaction, it relies on the PTE known as the Best Interest Contract Exemption or BICE which requires compliance with the “impartial conduct standards.” The impartial conduct standards are designed to mitigate conflicts of interest by requiring that investment advice be in the “best interest” of the Retirement Account Client, that advisers not make any materially misleading statements and not charge a fee that exceeds a reasonable amount. The best interest standard requires that advisers act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use, based on the investment objectives, risk tolerance, financial circumstances and needs of the Retirement Account Client. This mirrors the prudent man standard of conduct and duty of loyalty found in ERISA.”

### **Non-Purpose Loans**

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Where it is deemed beneficial and appropriate based on a client’s risk tolerance and investment objectives, a non-purpose Loan may be utilized as part of their investment strategy. A non-purpose loan is a type of loan that uses an investment portfolio as loan collateral and the proceeds of which cannot be used to purchase, carry or trade securities. This type of loan allows investors access to funds without having to sell their investments for personal reasons, such as loans for education, real estate, taxes or other expenses. Such

loans, using a client portfolio as collateral or use of options for leverage, has inherent high risk, are not advisable for the majority of clients, and will depend entirely on other client assets, client risk profile and appropriateness. XML Financial is not a party to the contract and receives no compensation for this arrangement. The loan provider will receive interest payments on the loan from the client. There is no other affiliation between XML Financial and the loan provider.

## **Item 5. Fees and Compensation**

XML Financial offers services on a fee basis, which may include fixed and/or hourly fees, as well as fees based upon assets under management or advisement. Additionally, certain of the Firm's Supervised Persons, in their individual capacities, provide securities brokerage services and/or insurance products under separate commission-based arrangements. See Item 10 for more information about XML Financial Insurance, LLC. Information about Commission and Sales Charges is provided here in Item 5.

### **Financial Planning and Consulting Fees**

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XML Financial generally charges a fixed fee for financial planning and consulting services. These fees are negotiable, but range from \$1,000 to \$10,000, depending upon the scope and complexity of the services and the professional rendering the financial planning and/or the consulting services. If the client engages the Firm for additional investment management services, XML Financial may offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services, at the Firm's discretion.

The terms and conditions of the financial planning and/or consulting engagement are set forth in an Advisory Agreement. XML Financial generally requires one-half of the fee (estimated hourly or fixed)

payable upon execution of the Advisory Agreement. The outstanding balance is generally due upon delivery of the financial plan or completion of the agreed upon services. The Firm will not, however, take receipt of \$1,200 or more in prepaid fees in excess of six months in advance of services rendered.

### **Investment Management Fees**

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XML Financial offers investment management services for an annual fee based on the amount of assets under the Firm's management.



<u>PORTFOLIO VALUE</u>	<u>BASE FEE</u>	<u>AGGREGATE FEE*</u>
First \$1,000,000	1.25%	1.25%
Next \$2,000,000	1.00%	1.00%
Next \$1,000,000	0.90%	0.90%
Next \$1,000,000	0.80%	0.88%
Next \$1,000,000	0.70%	0.85%
Next \$1,000,000	0.60%	0.81%
Next \$1,000,000	0.50%	0.78%
Next \$1,000,000	0.40%	0.73%
Next \$1,000,000	0.30%	0.69%
Next \$1,000,000	0.20%	0.65%
Next \$1,000,000	0.20%	0.61%
Next \$1,000,000	0.20%	0.58%
Next \$1,000,000	0.20%	0.55%
Next \$1,000,000	0.20%	0.53%
Above \$15,000,000	Negotiable	

\* The “aggregate fee” is the blended fee that a client will pay at the top of the range. For example, the fee will be 0.90% of assets where the assets under management are \$4,000,000.

As of April 1, 2018, investment management fees will be based on the chart above for new clients to the firm. Legacy clients prior to this date are charged based on a different fee schedule.

For the initial quarter, the fee is charged in arrears based upon the average daily account balance of the assets being managed by the Firm during the initial quarter. In subsequent quarters, the fee is charged in advance based upon the market value of the average daily account balance of the assets being managed by the Firm for the previous quarter. For the initial period of an engagement, the fee is calculated on a *pro rata* basis based on the number of days the account was funded in the previous quarter. In the event the advisory agreement is terminated, the fee for the final billing period is prorated through the effective date of the termination and the outstanding or unearned portion of the fee is charged or refunded to the client, as appropriate.

Additionally, for services the Firm provides with respect to certain client holdings XML Financial will negotiate a fee rate that differs from the range set forth above to reflect administrative and reporting services provided by the Firm.

### **Retirement Plan Consulting Fees**

XML Financial generally charges a fixed project-based fee to provide clients with retirement plan consulting services. Each engagement is individually negotiated and tailored to accommodate the needs

of the individual plan sponsor, as memorialized in the Agreement. These fees vary, based on the scope of the services to be rendered.

### **529 Accounts**

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XML Financial receives compensation related to investment advisory services for 529 Plans. The fee paid by each client is dependent upon the class of 529 plan assets held by the account. For clients opening new 529 accounts, the advisory fee for those assets will be billed at 0.75%. For clients converting existing 529 accounts that are only invested in class C shares to institutional shares, the advisory fee for those, and future assets, will be billed at 0.75%. For clients converting existing 529 accounts that are only invested in class A shares to institutional shares, the advisory fee for those, and future assets, will be billed at 0.20%. For clients converting a mix of existing 529 class C and 529 class A shares to institutional shares, the advisory fee will be determined on a case by case basis.

### **Fee Discretion**

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XML Financial's Investment Management fees are negotiable based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing/legacy client relationship, account retention and for certain non-profit groups or charitable organizations. Similarly, all financial planning fees and consulting fees are negotiable based on the needs of the clients.

### **Additional Fees and Expenses**

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In addition to the advisory fees paid to XML Financial, clients will also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions (collectively "Financial Institutions"). These additional charges include securities brokerage commissions, transaction fees, custodial fees, fees attributable to alternative assets, fees charged by the Independent Managers, margin costs, charges imposed directly by a mutual fund or ETF in a client's account, as disclosed in the fund's prospectus (*e.g.*, fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. The Firm's brokerage practices are described at length in Item 12, below.

### **Direct Fee Debit**

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Clients provide XML Financial and/or certain Independent Managers with the authority to directly debit their accounts for payment of the investment management fees. Other fees may be directly debited from an investment management account or be separately paid by the client.

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**Use of Margin**

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XML Financial may be authorized to use margin in the management of a client's investment portfolio. In these cases, the fee payable will be assessed net of margin such that the market value of the client's account and corresponding fee payable by the client to XML Financial will not be increased based on the use of margin. The Firm does not expect to use margin for investment recommendations, but may do so for a client's cash needs.

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**Account Additions and Withdrawals**

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Clients may make additions to and withdrawals from their account at any time, subject to XML Financial's right to terminate an account. The Firm reserves the right to liquidate any transferred securities or decline to accept securities into a client's investment management account. Clients may withdraw account assets subject to the usual and customary securities settlement procedures. The Firm designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. XML Financial may consult with its clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, short-term redemption fees, fees assessed at the mutual fund level (e.g., contingent deferred sales charges) and/or tax ramifications.

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**Commissions and Sales Charges for Recommendations of Securities**

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One of XML Financial's managers, Robert Kantor, is a registered representative of a broker dealer. To implement financial planning or consulting recommendations, including retirement plan consulting, clients may engage Mr. Kantor to render securities brokerage services under a separate commission-based arrangement. Clients are under no obligation to engage Mr. Kantor and may choose brokers or agents not affiliated with Mr. Kantor or XML Financial to implement financial planning and consulting recommendations.

Under this arrangement, Mr. Kantor, in his individual capacity as a registered representative of Purshe Kaplan Sterling Investments, Inc. ("PKS"), will provide securities brokerage services and implement securities transactions under a separate commission-based arrangement when so engaged by a client. Mr. Kantor will be entitled to a portion of the brokerage commissions paid to PKS, as well as a share of any ongoing distribution or service (trail) fees from the sale of mutual funds. Mr. Kantor also will recommend no-load or load-waived funds, where no sales charges are assessed. Prior to effecting any securities brokerage transactions, clients are required to enter into a separate account agreement with PKS. These are not investment advisory activities.

Mr. Kantor's separate activity as a registered representative presents a conflict of interest and provides Mr. Kantor and XML Financial an incentive to recommend investment products based on the separate compensation that can be received rather than on a client's needs. XML does not permit Mr. Kantor's

separate brokerage related services to be utilized as a part of the discretionary implementation of investment advice by the Firm. XML Financial will provide all investment advice described in Item 4 in the best interests of advisory clients, and will monitor Mr. Kantor's separate compensation received as a result of implementing financial planning or consulting recommendations on behalf of XML Financial clients.

For certain accounts covered by the Employee Retirement Income Security Act of 1974 ("ERISA") and such others that XML Financial, in its sole discretion, deems appropriate, XML Financial may provide its investment advisory services on a fee-offset basis. In this scenario, XML Financial may offset its fees by an amount equal to the aggregate commissions and 12b-1 fees earned by the Firm's Supervised Persons in their individual capacities as registered representatives of PKS.

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

XML Financial does not provide any services for a performance-based fee (i.e., a fee based on a share of capital gains or capital appreciation of a client's assets).

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

XML Financial offers services to individuals (including high net worth individuals), corporations and business entities, pension and profit sharing plans, charitable organizations, and trusts and estates.

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

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

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XML Financial utilizes technical and fundamental methods of analysis. Fundamental analysis involves an evaluation of the fundamental financial condition and competitive position of a particular investment. For XML Financial, the technical process typically involves 30 or more analytical measurements. Some of those measures might include past performance, style drift, allocation of assets and sector rotation.

XML does incorporate some stocks into its portfolios as well. The Firm uses outside independent research to determine the technical and fundamental characteristics of any individual company. XML Financial looks for companies that might be out of favor and pay healthy dividends or good solid growth companies. There is no limit on what type of stock may be purchased as long as it is consistent with the client's stated investment objectives.

## **Risk of Loss**

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### *Market Risks*

Investing involves risk, including the potential loss of principal, and all investors should be guided accordingly. The profitability of a significant portion of XML Financials' recommendations and/or investment decisions may depend to a great extent upon correctly assessing the future course of price movements of stocks, bonds and other asset classes. There can be no assurance that XML Financial will be able to predict those price movements accurately or capitalize on any such assumptions.

### *Cybersecurity*

The computer systems, networks and devices used by XML Financial and service providers to us and our clients to carry out routine business operations employ a variety of protections designed to prevent damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches. Despite the various protections utilized, systems, networks, or devices potentially can be breached. A client could be negatively impacted as a result of a cybersecurity breach.

Cybersecurity breaches can include unauthorized access to systems, networks, or devices; infection from computer viruses or other malicious software code; and attacks that shut down, disable, slow, or otherwise disrupt operations, business processes, or website access or functionality. Cybersecurity breaches may cause disruptions and impact business operations, potentially resulting in financial losses to a client; impediments to trading; the inability by us and other service providers to transact business; violations of applicable privacy and other laws; regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs; as well as the inadvertent release of confidential information.

Similar adverse consequences could result from cybersecurity breaches affecting issuers of securities in which a client invests; governmental and other regulatory authorities; exchange and other financial market operators, banks, brokers, dealers, and other financial institutions; and other parties. In addition, substantial costs may be incurred by these entities in order to prevent any cybersecurity breaches in the future.

### *Mutual Funds and ETFs*

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

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a funds stated daily per share

net asset value (“NAV”), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The Firm may invest in closed-end mutual funds where the actual NAV fluctuates with intraday changes to the market value of the fund’s holdings. The trading prices of a closed-end mutual fund’s shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the closed-end mutual fund’s shares trading at a premium or discount to actual NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for index-based ETFs and potentially more frequently for actively managed ETFs.

However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 20,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

Mutual Funds and ETFS that employ alternative strategies such as long/short investment management, or the management of leveraged positions through derivatives involve a higher risk of volatility and loss of principal.

#### *Options*

The use of options enables XML Financial to increase buying power and take advantage of a greater number of undervalued situations than would be the case if leverage were not used. Options could materially increase the risk of loss in investment portfolios. While leverage presents the potential opportunity for increasing total return, it has the potential for increasing losses as well. Any event which adversely affects the value of an investment would be magnified to the extent leverage is employed.

#### *Independent Managers*

XML Financial reviews certain Independent Managers on behalf of clients. The performance of those assets managed by Independent Managers will depend to a great extent on the Independent Managers’ ability to successfully implement their investment strategies.

## **Item 9. Disciplinary Information**

XML Financial has not been involved in any legal or disciplinary events that are material to a client’s evaluation of its advisory business or the integrity of its management.

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

This item requires investment advisers to disclose certain financial industry activities and affiliations. As noted above in response to Item 4, certain investment vehicles managed by Stone Point collectively are principal owners of Focus LLC and Focus Pubco, and certain investment vehicles managed by KKR collectively are minority owners of Focus LLC and Focus Pubco. Because XML Financial is an indirect, wholly-owned subsidiary of Focus LLC and Focus Pubco, the Stone Point and KKR investment vehicles are indirect owners XML Financial. None of Stone Point, KKR, or any of their affiliates participates in the management or investment recommendations of our business.

XML Financial does not believe the Focus Partnership presents a conflict of interest with our clients. XML Financial has no business relationship with other Focus Partners that is material to its advisory business or to its clients.

XML Financials' clients are not solicited for any other Focus Partners' advisory services and Focus Partners do not recommend securities, services or products of other Focus Partners unless so disclosed on

such Focus Partner's Form ADV, nor are any transactions executed for XML Financials' clients through another Focus Partner's affiliated broker-dealer.

XML Financial has entered into a Services Agreement with FI Services, LLC ("FIS"), which is a wholly-owned subsidiary of FI Services Holdings, LLC ("FIS Holdings"), a wholly-owned subsidiary of Focus Operating. Under the Services Agreement, FIS has agreed to provide to, or procure for, XML Financial administrative services including advisory fee calculation, record maintenance and report preparation services, as well as other administrative back-office support services, such as payroll, accounting, initial marketing support, and education programs. FIS will be providing these services both directly and indirectly through unaffiliated technology companies and other service providers.

Employees of FIS Holdings who provide services on behalf of FIS to XML Financial pursuant to the Services Agreement also provide services to registered investment advisory firms other than XML Financial. FIS and FIS Holdings will monitor the workload of those employees to ensure that this arrangement does not materially affect FIS' ability to carry out its responsibilities to XML Financial under the Services Agreement. If necessary, additional staff will be hired to perform services for FIS.

FIS will allocate its costs for the services provided directly by FIS among XML Financial and any other registered investment advisory firms that FIS supports. All costs incurred by FIS for services provided by third-party vendors for XML Financials' benefit will be passed through to XML Financial.

XML Financial does not believe that the Services Agreement poses a material conflict of interest to its clients, as the services provided by FIS to XML Financial will be provided without mark-up by FIS.

XML Financial has added a new business development division, XML-W Wealth Management. This division is a marketing arm of the firm and does not perform advisory function.

#### **Registered Representatives of a Broker-Dealer**

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Robert Kantor is a registered representative of PKS and may provide clients with securities brokerage services under a separate commission-based arrangement. This arrangement is described in Item 5.

#### **Licensed Insurance Agency**

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XML Financial has an affiliated entity, BRFA Insurance Associates, that is a duly licensed insurance agency. In addition, certain Supervised Persons own or are affiliated with XML Insurance Group. A number of the Firm's Supervised Persons are licensed insurance agents and offer certain insurance products on a fully-disclosed commissionable basis. A conflict of interest exists to the extent that XML Financial recommends the purchase of insurance products where its Supervised Persons may be entitled to insurance commissions or other additional compensation. The Firm has procedures in place whereby it seeks to ensure that all recommendations are made in its clients' best interest regardless of any such affiliations.

### **Item 11. Code of Ethics, Participation in Client Transactions and Personal Trading**

XML Financial has adopted a code of ethics in compliance with applicable securities laws ("Code of Ethics") that sets forth the standards of conduct expected of its Supervised Persons. XML Financial's Code of Ethics contains written policies reasonably designed to prevent certain unlawful practices such as the use of material non-public information by the Firm or any of its Supervised Persons, or trading by the Firm or any of its Supervised Persons in a manner that does not place clients' interests first.

The Code of Ethics also requires certain of XML Financial's personnel to report their personal securities holdings and transactions and obtain pre-approval of certain investments (*e.g.*, initial public offerings, limited offerings). However, the Firm's Supervised Persons are permitted to buy or sell securities that it also recommends to clients if done in a fair and equitable manner that is consistent with the Firm's policies and procedures. This Code of Ethics has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by certain personnel to be completed without any appreciable impact on the markets of such securities. Therefore, exceptions will be made to the policies stated below.

When the Firm is engaging in or considering a transaction in any security on behalf of a client, no Supervised Person with access to this information may knowingly effect for themselves or for their immediate family (*i.e.*, spouse, minor children and adults living in the same household) a transaction in that security unless:



- the transaction for the client has been completed;
- the transaction for the Supervised Person is completed as part of a batch trade with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to transactions in the following securities and instruments: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact XML Financial to request a copy of its Code of Ethics.

## **Item 12. Brokerage Practices**

### **Recommendation of Broker-Dealers for Client Transactions**

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XML Financial generally recommends that clients utilize the custody, brokerage and clearing services of Fidelity Institutional Wealth Services ("Fidelity") for investment management accounts.

Factors which XML Financial considers in recommending Fidelity or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. Fidelity enables the Firm to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by Fidelity may be higher or lower than those charged by other Financial Institutions.

As XML Financial will not request the discretionary authority to determine the broker dealer to be used or the commission rates to be paid for securities transactions, clients must direct XML Financial as to the broker dealer to be used. In directing the use of a particular broker or dealer, it should be understood that XML Financial will not have authority to negotiate commissions among various brokers or obtain volume discounts, and best execution may not be achieved. Not all investment advisors require clients to direct the use of specific brokers.

XML Financial periodically and systematically reviews its policies and procedures regarding its recommendation of Fidelity or other brokers.

**Software and Support Provided by Financial Institutions**

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

Also, to assist with the launch of XML Financial in 2016, XML Financial received \$200,000 from Fidelity to be used toward start-up and transition related expenses. This benefit presents a conflict of interest related to XML Financial’s recommendation of Fidelity. XML Financial periodically reviews Fidelity’s services as described above.

**Brokerage for Client Referrals**

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XML Financial does not consider, in selecting or recommending broker-dealers, whether the Firm receives client referrals from the Financial Institutions or other third party.

**Trade Aggregation**

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Transactions for each client generally will be effected independently, unless XML Financial decides to purchase or sell the same securities for several clients at approximately the same time. XML Financial may (but is not obligated to) combine or “batch” such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Firm’s clients differences in prices and commissions or other transaction costs that might not have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among XML Financial’s clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that the Firm determines to aggregate client orders for the purchase or sale of securities, including securities in which XML Financial’s Supervised Persons may invest, the Firm generally does so in accordance with applicable rules promulgated under the Investment Advisers Act of 1940 and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. XML Financial does not receive any additional compensation or remuneration as a result of the aggregation.

In the event that the Firm determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when

only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a de minimis allocation in one or more accounts, the Firm may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on rotating basis.

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

### **Account Reviews**

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XML Financial monitors client portfolios on a continuous and regular basis while regular account reviews are conducted on at least a quarterly basis. Such reviews are conducted by the client's relationship manager. All investment advisory clients are encouraged to discuss their needs, goals and objectives with XML Financial and to keep the Firm informed of any changes thereto. The Firm contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations.

### **Account Statements and Reports**

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XML provides performance reports to clients on a periodic basis.

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

The Firm does not currently provide compensation to any third-party solicitors for client referrals. However, the firm may at its discretion, award bonuses to employees who refer and bring new clients to the firm. This one-time bonus award is based on the assets to be managed at the time of account inception. There is no residual compensation paid to the employee.

### **Sponsorships**

XML Financial's parent company is Focus Financial Partners, LLC ("Focus"). From time to time, Focus holds partnership meetings and other industry and best-practices conferences, which typically include XML Financial, other Focus firms and external attendees. These meetings are first and foremost intended

to provide training or education to personnel of Focus firms, including XML Financial. However, the meetings do provide sponsorship opportunities for asset managers, asset custodians, vendors and other third-party service providers. Sponsorship fees allow these companies to advertise their products and services to Focus firms, including XML Financial. Although the participation of Focus firm personnel in these meetings is not preconditioned on the achievement of a sales target for any conference sponsor, this practice could nonetheless be deemed a conflict as the marketing and education activities conducted, and the access granted, at such meetings and conferences could cause XML Financial to focus on those conference sponsors in the course of its duties. Focus attempts to mitigate any such conflict by allocating the sponsorship fees only to defraying the cost of the meeting or future meetings and not as revenue for itself or any affiliate, including XML Financial. Conference sponsorship fees are not dependent on assets placed with any specific provider or revenue generated by such asset placement.

The following entities have provided conference sponsorship to Focus in the last year:

Fidelity Brokerage Services  
J.P. Morgan Asset Management  
Charles G. Schwab & Co.

Conference sponsorship opportunities have been provided to Fidelity Brokerage Services (“FBS”) with the understanding that FIS will introduce certain of its current or prospective affiliates to FBS as a preferred provider of custodial services. This understanding between FIS and FBS is a conflict of interest, but it is mitigated by a number of factors. Most importantly, current and prospective FIS affiliates are ultimately free not to use FBS’s or a Fidelity affiliate’s services. Additionally, if there is deterioration in service levels, a significant increase in fees or other issues with FBS, XML Financial will consider terminating the relationship. XML Financial is aware of its duty to recommend brokerage and custodial services in clients’ best interest, and will review its recommended custodial service provider in furtherance of that duty.

## Item 15. Custody

The Advisory Agreement and/or the separate agreement with any Financial Institution generally authorize XML Financial and/or the Independent Managers to debit client accounts for payment of the Firm’s fees and to directly remit that those funds to the Firm in accordance with applicable custody rules. The Financial Institutions that act as the qualified custodian for client accounts, from which the Firm retains the authority to directly deduct fees, will send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to XML Financial.

XML Financial does not maintain physical custody of client assets; client assets are custodied by one or more of the Qualified Custodians. Based on the definition of custody, XML Financial is deemed to have custody of client funds because it has the ability to authorize the Qualified Custodian to debit its annual

management fee. XML Financial is also deemed to have custody by virtue of Standing Letters of Authorization (“SLOAs”) entered into by certain clients, which provide XML Financial with the ability to initiate transfers of client funds pursuant to and within the scope of a pre-defined authorization agreement established by the client. Additionally, XML Financial is deemed to have custody because the Adviser may accept cash and/or securities from clients for deposit to the Qualified Custodian. The SEC requires that we submit to a third party, surprise examination of these instructions each calendar year. As discussed in Item 13, XML Financial may also send periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the Financial Institutions and compare them to those received from XML Financial.

## **Item 16. Investment Discretion**

XML Financial is given the authority to exercise discretion on behalf of clients. XML Financial is considered to exercise investment discretion over a client’s account if it can effect and/or direct transactions in client accounts without first seeking their consent. XML Financial is given this authority through a power-of-attorney included in the Advisory Agreement between XML Financial and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold).

XML Financial takes discretion over the following activities:

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

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

XML Financial does not accept the authority to vote a client’s securities (i.e., proxies) on their behalf. Clients receive proxies directly from the Financial Institutions where their assets are custodied and may contact the Firm at the contact information on the cover of this brochure with questions about any such issuer solicitations.

## **Item 18. Financial Information**

XML Financial is not required to disclose any financial information due to the following:

- The Firm does not require or solicit the prepayment of more than \$1,200 in fees six months or

more in advance of services rendered;

- The Firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.