

# Enso Wealth

Item 1: Cover Page

## FORM ADV PART 2A Brochure

May 2019

Enso Wealth Management, LLC  
[www.EnsoWealth.com](http://www.EnsoWealth.com)

Petaluma Office  
(707) 981-7584  
140 2<sup>nd</sup> St., Suite 250  
Petaluma, CA 94952

Sonoma Office  
(707) 938-7414  
1051 Broadway, Suite E  
Sonoma, CA 95476

Mount Shasta Office  
530-433-0502  
412 Old McCloud Rd.  
Mount Shasta, CA 96067

Orinda Office  
(925) 956-1912  
89 Davis Rd., Suite 160  
Orinda, CA 94563

Pleasanton Office  
(925) 956-1912  
4615 1<sup>st</sup> St, Suite 240  
Pleasanton, CA 94566

Healdsburg Office  
(707) 473-2303  
465 Healdsburg Ave.  
Healdsburg, CA 95448

This brochure provides information about the qualifications and business practices of Enso Wealth Management, LLC. If you have any questions about the contents of this brochure, please contact us by telephone at (707) 981-7584 or email [joe@ensowealth.com](mailto:joe@ensowealth.com). The information in this brochure has not been approved or verified by the U. S. Securities and Exchange Commission or by any other state or federal regulatory authority. Additional information about Enso Wealth Management also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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

## Item 2: Material Changes

The material changes made to this brochure since the last annual filing in March 2018 are related to the firm's ownership structure as more Members have joined Enso Wealth Management. At present, the Firm is owned by its Members, James C. DeCota, Daren E. F. Blonski, Noah B. Jacobson, William G. DeMar, Taylor M. Greenleaf, Andrew E. Thompson, Joseph K. Stern, David R. Jones, Joanna C. Aiken, Toussaint Bailey and Mark Clure.

Joseph K. Stern was appointed Chief Compliance Officer in May 2019.

## Item 3: Table of Contents

<b><u>Section:</u></b>	<b><u>Page(s):</u></b>
Item 1: Cover Page.....	1
Item 2: Material Changes .....	2
Item 4: Advisory Business.....	3
Item 5: Fees & Compensation .....	5
Item 6: Performance-Based Fees - Side-By-Side Management .....	8
Item 7: Types of Clients & Account Requirements .....	8
Item 8: Methods of Analysis, Investment Strategies & Risk of Loss.....	8
Item 9: Disciplinary Information .....	12
Item 10: Other Financial Industry Activities & Affiliations .....	12
Item 11: Code of Ethics, Personal Trading, Participation in Client Transactions .....	12
Item 12: Brokerage Practices .....	14
Item 13: Review of Accounts or Financial Plans .....	17
Item 14: Client Referrals & Other Compensation .....	17
Item 15: Custody.....	18
Item 16: Investment Discretion.....	19
Item 17: Voting Client Securities .....	19
Item 18: Financial Information.....	20

## Item 4: Advisory Business

Enso Wealth Management, LLC is the successor firm to DeCota Wealth Management, LLC, doing business as Enso Wealth Management ("Enso Wealth"). Our firm is a limited liability company formed in the State of California. Enso Wealth, through its predecessor firm has been in business as an investment adviser since 2014. The Firm is owned by its Members, James C. DeCota, Daren E. F. Blonski, Noah B. Jacobson, William G. DeMar, Taylor M. Greenleaf, Andrew E. Thompson, Joseph K. Stern, David R. Jones, Joanna C. Aiken, Toussaint Bailey and Mark Clure. The Chief Compliance Officer is Joseph K. Stern

### **Regulatory Assets Under Management**

---

Enso Wealth manages approximately \$913,000,000 on a discretionary basis and \$54,525,000 on a non-discretionary basis as of March 2019.

### **Description of the Types of Advisory Services We Offer**

---

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

Enso Wealth is dedicated to providing individuals and other types of clients with a wide array of investment advisory services. Enso Wealth offers individualized investment advice to clients utilizing our Comprehensive Portfolio Management service. Additionally, we offer general investment advice to clients utilizing our Financial Planning & Consulting and Pension Consulting services.

Our Comprehensive Portfolio Management service encompasses asset management as well as providing financial planning/financial consulting to clients. It is designed to assist clients in meeting their financial goals through the use of financial investments. We conduct at least one, but sometimes more than one meeting (in person if possible, otherwise via telephone conference) with clients in order to understand their current financial situation, existing resources, financial goals, and tolerance for risk. Based on what we learn, we propose an investment approach to the client. We may propose an investment portfolio, consisting of exchange traded funds ("ETFs"), mutual funds, individual stocks or bonds, or other investments, including unregistered securities. Upon the client's agreement to the proposed investment plan, we work with the client to establish or transfer investment accounts so that we can manage the client's portfolio. Once the relevant accounts are under our management, we review such accounts on a regular basis and at least quarterly. We may periodically rebalance or adjust client accounts under our management. If the client experiences any significant changes to his/her financial or personal circumstances, the client must notify us so that we can consider such information in managing the client's investments.

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. Restrictions would be limited to our Comprehensive Portfolio Management service. We do not manage assets through our Financial Planning & Consulting and Pension Consulting services.

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

We provide a variety of financial planning and consulting services to individuals, families and other clients regarding the management of their financial resources based upon an analysis of the client's current situation, goals, and objectives. Generally, such financial planning services will involve preparing a financial plan or rendering a financial consultation for clients based on the

client's financial goals and objectives. This planning or consulting may encompass one or more of the following areas: Investment Planning, Retirement Planning, Estate Planning, Charitable Planning, Education Planning, Corporate and Personal Tax Planning, Cost Segregation Study, Corporate Structure, Real Estate Analysis, Mortgage/Debt Analysis, Insurance Policy Review, Lines of Credit Evaluation, Business and Personal Financial Planning.

Our written financial plans or financial consultations rendered to clients usually include general recommendations for a course of activity or specific actions to be taken by the clients. For example, recommendations may be made that the clients begin or revise investment programs, create or revise wills or trusts, obtain or revise insurance coverage, commence or alter retirement savings, or establish education or charitable giving programs. It should also be noted that we refer clients to an accountant, attorney or other specialist, as necessary for non-advisory related services. For written financial planning engagements, we provide our clients with a written summary of their financial situation, observations, and recommendations. For financial consulting engagements, we usually do not provide our clients with a written summary of our observations and recommendations as the process is less formal than our planning service. Plans or consultations are typically completed within six (6) months of the client signing a contract with us, assuming that all the information and documents we request from the client are provided to us promptly. Implementation of the recommendations will be at the discretion of the client.

Typically, clients engaging the firm to provide financial planning or financial consultation services are required to enter into a separate written agreement setting forth the terms and conditions of the planning engagement and describing the scope of the services to be provided. Financial planning clients need not necessarily become investment management clients of the firm.

Enso does not make any representation that these products and services are offered at the lowest available cost and the client may be able to obtain the same products or services at a lower cost from other providers. However, the client is under no obligation to accept any of the recommendations of Enso or use the services of Enso in particular. Implementation of the recommendations will be at the discretion of the client.

#### **Pension Consulting:**

Enso Wealth provides pension consulting services to employer plan sponsors on an ongoing basis. Generally, such pension consulting services consist of assisting employer plan sponsors in establishing, monitoring and reviewing their company's participant-directed retirement plan. As the needs of the plan sponsor dictate, areas of advising could include: investment options, plan structure and participant education.

All pension consulting services shall be in compliance with the applicable state law(s) regulating pension consulting services. This applies to client accounts that are pension or other employee benefit plans ("Plan") governed by the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). If the client accounts are part of a Plan, and we accept appointments to provide our services to such accounts, we acknowledge that we are a fiduciary within the meaning of Section 3(21) of ERISA (but only with respect to the provision of services described in section 1 of the Pension Consulting Agreement).

#### **Third Party Money Managers:**

We may determine that having a professional third-party money manager assist you with your 401(k) plan is in your best interests. As such, we may contract with them to provide you with the level of assistance you need. Due to the nature of their 401(k) Review Program, the third-party manager is required to provide you with a separate disclosure document. You should carefully review this document for important and specific program details.

**Held Away Account Services:**

We provide an additional service for accounts not directly held in our custody but where we do have discretion and may leverage an Order Management System to implement asset allocation or rebalancing strategies on behalf of the client. These are primarily 401(k) accounts, 529 plans, variable annuities, and other assets we do not custody. We regularly review the current holdings and available investment options in these accounts, monitor the accounts, rebalance and implement our strategies as necessary.

**Participation in Wrap Fee Programs**

We neither sponsor nor act as the investment advisor to wrap fee investment programs.

**Item 5: Fees & Compensation****How We Are Compensated for Our Advisory Services****Comprehensive Portfolio Management:**

For our comprehensive portfolio management services, we charge a fee based on a percentage of the market value of the investments held in each client's account. Assets in the account are included in the fee assessment unless specifically identified in writing for exclusion. The annual management fee is prorated and billed quarterly, in advance. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. If assets are deposited into or withdrawn from a client's account after the inception of a billing period, and depending upon the timing or size of such withdrawal or deposit, the fee payable with respect to such assets may not necessarily be adjusted or prorated based on the number of days remaining in the billing period.

The quarterly fee is computed on the last day of the billing period by determining the market value of the account assets as follows: (a) for marketable securities: the current market value provided by the client's custodian; (b) for securities for which there exists no active market (such as real estate, gas and oil, or other illiquid securities), by using such information as Enso Wealth shall in good faith deem relevant to determine the value thereof, or in the absence of such information, at cost; and (c) for cash or equivalents, at dollar value.

Unless otherwise negotiated between the Firm and the client, the annual fee is calculated according to the following standard fee schedules:

**Individual, Non-ERISA 401k Accounts:**

<b>Assets Under Management</b>	<b>Annual Percentage of Assets Charge</b>
First \$1,000,000	1.40%
Next \$4,000,000	1.10%
Next \$20,000,000	1.00%
Next \$25,000,000	0.95%
Next \$25,000,000	0.90%
Next \$25,000,000	0.85%
Over \$100,000,000	0.80%

**ERISA 401(k) Plans:**

<b>Assets Under Management</b>	<b>Annual Percentage of Assets Charge</b>
\$0 to \$999,999	0.75%
\$1,000,000 to \$3,000,000	0.50%
\$3,000,000 to \$5,000,000	0.40%
Over \$5,000,000	Negotiable

For 401(k) Plans with less than \$250,000 in assets we charge a \$2,000 flat fee.

Our firm's fees are billed on a pro-rata annualized basis quarterly in advance based on the value of your account on the last day of the previous quarter. Our fees are generally not negotiable. Fees will be deducted from your managed account. In rare cases, we will agree to direct bill clients. As part of this process, you understand and acknowledge the following:

- Your independent custodian sends statements at least quarterly to you showing the market values for each security included in the Assets and all disbursements in your account including the amount of the advisory fees paid to us;
- You provide authorization permitting us to be directly paid by these terms. We send our invoice directly to the custodian; and
- If we send a copy of our invoice to you, it will include a legend urging you to compare information provided in our statement with those from the qualified custodian.

Clients customarily authorize Enso Wealth to deduct its quarterly investment advisory fee directly from their custodial account. This authorization is granted under the terms of the client's signed investment management agreement and the client's instructions to the custodian. The firm sends an itemized fee invoice showing the fee calculation to each client at the time it invoices the client's custodian to deduct and transmit its fees. It is the client's responsibility to verify the accuracy of the fee calculation, as the custodian will not determine whether the fee is properly calculated.

In rare cases, at Enso Wealth's discretion, clients may arrange to pay their fee directly to the firm. Under this arrangement, payment is due upon client's receipt of our billing invoice.

In certain cases, clients may request that the Enso Wealth purchase, maintain, or consolidate preexisting or other securities positions in custodial accounts maintained with the firm that are not consistent with the firm's investment strategy. In such cases, we do not charge a management fee on such assets, with the specific understanding that these are non-managed assets for which client is responsible for determining the suitability of maintaining such a position. The firm will not sell such securities without specific written instructions from the client.

To the extent that a client authorizes the use of margin, and margin is thereafter employed, the market value of the client's account and corresponding fee payable by the client to the firm may be increased. As a result, in addition to understanding and assuming the additional principal risks associated with the use of margin, clients authorizing margin are advised of the potential conflict of interest whereby the client's decision to employ margin may correspondingly increase the management fee payable to the firm. Accordingly, the decision to employ margin is left to the sole discretion of client. Clients employing margin are advised that the margin balance is not deducted when calculating the quarterly advisory fee.

In the case of valuing non-liquid asset classes, our firm relies on valuations provided in statements received directly from third party managers. The financial statements associated with certain

illiquid securities are audited on an annual basis, and valuation adjustments resulting from the audits are reflected in subsequent fee invoices. In connection with assets invested in private real estate funds, it may be the practice of the funds to hold assets at their original cost until the point where there is an action causing them to adjust this basis, such as an asset sale.

**Financial Planning & Consulting:**

We charge on a flat fee basis for financial planning and consulting services. Fees are based on the scope and complexity of our engagement with you. Our flat fees generally range from \$3,500 to \$20,000. We do not require a retainer and the estimated financial planning or consulting fee we quote is due upon engagement.

**Pension Consulting:**

We charge on a flat fee basis for pension consulting services. The total estimated fee, as well as the ultimate fee that we charge you, is based on the scope and complexity of our engagement with you. Our flat fees generally range from \$3,500 to \$5,000.

The fee-paying arrangements for pension consulting service will be determined on a case-by-case basis and will be detailed in the signed Pension Consulting Agreement. The client will be invoiced directly for the fees.

**Third-Party Money Managers:**

The third-party money manager may charge you a monthly subscription fee for their advisory services. While you will not likely pay a separate fee to us, the third-party money manager does compensate us a percentage of your monthly subscription fee. In addition, we pay an enrollment fee to the third-party money manager for your access to their advisory services.

**Held Away Account Services:**

We charge an annual fee for certain services provided for accounts that are not in our custody ("Held Away"), such as 401(k) accounts, 529 plans, variable annuities, and other assets we do not custody. This fee is not deducted from the Held Away account, but rather from an account currently under Enso management (custodied with Schwab) on a quarterly basis in advance or by other means such as invoicing. Fees are based on the assets within these Held Away accounts, and are charged in accordance with our standard fee schedule which is based on the valuation of the accounts at the close of the quarter as valued by the account custodian.

**Insurance:**

In the course of providing its investment management and financial planning services, Enso Wealth also may recommend insurance products and investments. Certain Enso Wealth representatives are appointed sales agents for Highland Capital Brokerage, Inc. and The Quantum Group. When an Enso representative recommends an insurance product to a client, the applicable insurance issuer may pay a sales load or commission to them, personally. A conflict of interest may arise as these insurance sales may create an incentive to recommend products based on the compensation they may earn.

Enso does not make any representation that these products and services are offered at the lowest available cost and the client may be able to obtain the same products or services at a lower cost from other providers. However, the client is under no obligation to accept any of the recommendations of Enso or use the services of Enso in particular.

**Other Fees:**

Clients will incur transaction charges for trades executed in their accounts. These transaction fees are separate from our fees and will be disclosed by the firm that the trades are executed through.

Also, clients will pay the following separately incurred expenses, which we do not receive any part of: charges imposed directly by a mutual fund, index fund, or exchange traded fund which shall be disclosed in the fund's prospectus (i.e., fund management fees and other fund expenses).

---

### **General Fee Disclosure**

---

We believe our investment management fees are competitive with the fees charged by other investment advisors in the San Francisco Bay area for comparable services. However, comparable services may be available from other sources for lower fees than those charged by the Firm. The Firm receives no sales commissions on investment products purchased or sold for client accounts. We do not provide clients advice as to the tax deductibility of our advisory fees. Clients are directed to consult a tax professional to determine the potential tax deductibility of the payment of advisory fees.

---

### **Refunds Following Termination**

---

We charge our advisory fees quarterly in advance. The Firm does not assess any fees related to termination but will be entitled to all management fees earned up to the date of termination. In the event that a client wishes to terminate our services, we will refund the unearned portion of our advisory fee. Clients must contact us in writing and state to terminate our services. Upon receipt of a letter of termination, we will proceed to close out the client's account and process a pro-rata refund of unearned advisory fees.

---

### **Commissionable Securities Sales**

---

We do not sell securities for a commission in our advisory accounts.

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

We do not charge our clients performance-based fees based on a share of the capital gains of client assets.

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

Our clients include, have included and may include some or all of the following client types: individuals, high net worth individuals, trusts, estates, endowments, charitable organizations, corporations, limited liability companies and other business entities, IRA's and pension and profit sharing plans.

We typically do not require a minimum household balance for our Comprehensive Portfolio Management service. We generally charge a minimum fee of \$3,500 for written financial plans.

#### **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.

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

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

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

---

#### **Investment Strategies We Use:**

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:

**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 a client's 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 a client's portfolio with money borrowed from the client's brokerage account. This allows a client to purchase more stock than he or she would be able to with their available cash, and allows us to purchase stock without selling other holdings.

## **Risk of Loss**

---

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 investors understand the risks associated with investing in the stock market, and are appropriately diversified in their investments, and ask their adviser any questions they may have.

## **Description of Material, Significant or Unusual Risks**

---

Here are some of the risks associated with parts of our investment strategy:

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

**Market Risk:** securities traded on securities exchanges are subject to demand and supply conditions. Investors could receive less than the original investment amount when they sell a security if the demand for that security has fallen. Prices generally reflect investors' confidence in the economy, interest rates, and many other factors. Investors must be able to tolerate such price movements.

**Income Risk:** Dividends may not be paid if a securities issuer reports an operating loss.

**Short-term purchases** – We may determine to buy or sell securities in a client's account and hold them for less than a year. Some of the risks associated with short-term trading that could affect investment performance are increased commissions and transaction costs to the account and increased tax obligations on the gains in a security's value.

**Bond Pricing** – The price of bonds depends in part on the current rate of interest. Rising interest rates decrease the current price of bonds because current purchasers require a competitive yield. As such, decreasing interest rates increase the current value of bonds with associated decrease in bond yield. We may decide to exchange to a lower or higher duration bond or to another asset class due to interest rate risk that could affect investment performance.

**Inflation** - Inflation is the loss of purchasing power through a general rise in prices. If an investment portfolio is designed for current income with a real rate of return of 4% and inflation were to rise to

5% or higher, the account would result in a loss of purchasing power and create a negative real rate of return.

**Price Fluctuation** - Security prices do fluctuate (except for cash or cash equivalents) and clients must accept that risk associated with the fluctuations or change to a more appropriate investment portfolio in alignment with their risk tolerance.

**Interest-rate Fluctuation** - fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.

**Currency Fluctuation** - Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

**Reinvestment of Dividends** – We will reinvest interest, dividends and capital gains as appropriate to accumulate wealth based on factors such as ongoing cash needs and tax loss harvesting opportunities. This is an appropriate strategy for a portfolio designed for capital growth. However, the reinvested earnings could result in a lower or a higher rate of return than was initially projected.

**Business Risk** - These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.

**Liquidity Risk** - Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, treasury bills are highly liquid, while real estate properties are not.

**Financial Risk** - Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value for the securities issued by such companies.

**Mutual Funds with Foreign Asset Holdings** – Any investments in mutual funds that make foreign investments and are not hedged back to the U.S. Dollar are subject to the uncertainty with changes in the foreign currency value. The client may bear more risk and may earn a substantially higher return or a substantially lower return than projected.

**Short Sale Trading.** Short selling carries high risk. The payoff ratio is high in that the maximum gain, which would occur if the shorted stock went to zero, is limited, but the maximum loss is infinite since stocks can always rise in price. In that in addition to trading commissions, other costs include the costs of borrowing the security to short it and the interest payable on the margin account that holds the shorted security. A short seller is responsible for making dividend payments on the shorted stock to the entity from whom the stock was borrowed. Stocks with very high short interest may occasionally surge in price - usually when there is a positive development in the stock - which

forces short sellers to buy the shares back to close their short positions. Heavily shorted stocks are susceptible to “buy-ins,” which occur when a broker closes out short positions in a difficult-to-borrow stock whose lenders are demanding it back. Regulators may impose bans on short sales in a specific sector or even in the broad market to avoid panic and unwarranted selling pressure. Such actions can cause a spike in stock prices, forcing the short seller to cover short positions at huge losses. Very good market timing is required - unlike the “buy-and-hold” investor who can afford to wait for an investment to work out, the short seller does not have the luxury of time because of the many costs and risks associated with short selling. Timing is everything when it comes to shorting.

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

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

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

In the course of providing its investment management and financial planning services, Enso Wealth also may recommend insurance products and investments. Certain Enso Wealth representatives are appointed sales agents for Highland Capital Brokerage, Inc. and The Quantum Group.. When an Enso Wealth representative recommends an insurance product to a client, the applicable insurance issuer may pay a sales load or commission to them, personally. A conflict of interest may arise as these insurance sales may create an incentive to recommend products based on the compensation they may earn.

Both Highland Capital Brokerage, Inc. and The Quantum Group are wholly independent of and otherwise unaffiliated with Enso Wealth. It does not supervise its financial planning or investment management services or and has no responsibility for the services to its clients.

#### **Third Party Money Managers:**

While we pay an enrollment fee to third party money managers, we are also compensated by them based on a percentage of your monthly subscription fee. A conflict of interest may arise as we may be incentivized to recommend such services.

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

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

Therefore, in order to prevent conflicts of interest, we have in place a set of procedures (including a pre-clearing procedure) with respect to transactions effected by our members, officers and

employees for their personal accounts<sup>1</sup>. In order to monitor compliance with our personal trading policy, we have a quarterly securities transaction reporting system for all of our associates.

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

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

Related persons may buy or sell securities for themselves at or about the same time they buy or sell the same securities for client accounts. If a security is bought or sold for clients and for Firm access persons on the same day, the access person's trades must either be: 1. aggregated with the client transactions, in which case all participants in the transaction participate on an average price basis; or 2. executed at the end of the trade day after all client trades in the subject security for that day are completed. If the access person's purchase of the security is not aggregated with client trades, the price received by the access person cannot be more favorable than the price received for the same security for client accounts that day.

Related persons may buy or sell different investments, based on personal investment considerations, which the Firm may not deem appropriate to buy or sell for clients. It is also possible that employees may take investment positions for their own accounts that are contrary to those taken on behalf of clients. Employees may also buy or sell a specific security for their personal account based on personal investment considerations aside from company or industry fundamentals, which are not deemed appropriate to buy or sell for clients. If these securities subsequently appreciate, these personal transactions could be viewed as creating a conflict of interest.

Conversely, related persons may liquidate a security position that is held both for their own account and for the accounts of Firm clients, sometimes in advance of clients. This occurs when personal considerations (i.e., liquidity needs, tax-planning, industry/sector weightings) deem a sale necessary for individual financial planning reasons. If the security subsequently falls in price, these personal transactions could be viewed as a conflict of interest.

---

<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.

## Item 12: Brokerage Practices

### Recommendation of Custodians and Executing Broker-Dealers

Enso Wealth recommends that clients establish brokerage accounts either with Charles Schwab & Co. ("Schwab") a registered broker-dealer and qualified custodian, to maintain custody of clients' assets and to effect trades for their accounts. Schwab is independently owned and operated and not affiliated with Enso Wealth and does not supervise or otherwise monitor its investment management services to its clients.

Schwab may provide the firm with access to its institutional trading and custody services, which typically are not available to individual retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a set minimum of the advisor's clients' assets is maintained in accounts at the broker-dealer, but are not otherwise contingent upon Enso Wealth committing to any specific amount of business (in the form of either assets in custody or trading). Schwab's services include brokerage, custody, research and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

Schwab may also make available to Enso Wealth other products and services that benefit the firm but may not benefit its clients. Some of these other products and services assist us in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements); facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts); provide research, pricing information and other market data; facilitate payment of the firm's fees from its clients' accounts; and assist with back-office functions, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of our client accounts, including accounts not maintained at Schwab, if any. Custodians also may make available to the Firm other services intended to help us manage and further develop its business. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing. In addition, the custodians may make available, arrange and/or pay for these types of services to the firm by independent third parties. Schwab may discount or waive fees they otherwise would charge for some of these services or pay all or a part of the fees of a third-party providing these services to Enso Wealth.

Enso Wealth's recommendation that clients maintain their assets in accounts at Schwab may be based in part on the benefit to the firm of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

For Enso Wealth client accounts maintained in their custody, Schwab generally does not charge separately for custody but is compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through them or that settle into client accounts that are held with them. In most cases, trade executions for client accounts custodied at Schwab will be made by Schwab to avoid "trade away" charges otherwise imposed for trades executed at other broker-dealers. In cases where a desired security is not available for purchase or sale through the custodial broker, and in light of our best execution evaluation, certain executions may be made at a different broker-dealer.

Schwab sends account statements directly to the client (or to an independent third-party representative designated by the client), no less than monthly, showing all funds and securities held, their current value and all transactions executed in the client's account, including the payment to Enso Wealth of its investment management fees.

### **Best Execution**

---

We are not obligated to obtain the best net price or lowest brokerage commission on any particular investment transaction. Rather applicable law requires investment managers to use their reasonable best efforts to obtain the most favorable execution for each transaction executed on behalf of client accounts.

In selecting broker-dealers, our primary objective is to obtain the best execution. Expected price, giving effect to brokerage commissions, if any, and other transaction costs, are principal factors, but the selection also takes account of other factors, including the execution, clearance and settlement capabilities of the broker-dealer, the broker-dealer's willingness to commit capital, the broker-dealer's reliability and financial stability, the size of the particular transaction and its complexity in terms of execution and settlement, the market for the security, the value of any research and other brokerage services provided by the broker-dealer, and the cost incurred by placing prime brokerage trades in client accounts.

Based upon an evaluation of some or all of these factors, we may execute client trades through broker-dealers that charge fees that are higher than the lowest available fees. We may select broker-dealers, including Schwab, whose fees may be greater than those charged for similar investments if we determine that brokerage services and research materials provided by that broker-dealer warrant the payment of higher fees.

We review transaction results periodically to determine the quality of execution provided by the various broker-dealers through whom the firm executes transactions on behalf of clients.

### **Trade Errors**

---

We shall handle trade errors in a manner that does not disadvantage the client, irrespective of the cause of the error. The following procedures apply to all trade errors resolved by the adviser:

- An Enso Wealth employee may not resolve a trade error without the approval of a senior principal or other supervisor.
- Soft dollars may not be used in the resolution of Enso Wealth trade errors.
- Trade errors are processed through the Enso Wealth error account established at the Custodian with the following requirements:
  - Enso Wealth must Immediately pay any debit balances created in the Error Account as a result of a trade error.
  - Enso Wealth may place no proprietary or client trades or transact any other business in the Error Account (including but not limited to check writing, check card and money link activities), with the exception of covering trades placed by Schwab in the Error Account.
  - The Custodian has placed a restriction on the Enso Wealth Error Account which blocks trading the movement of money and securities out of the Error Account.

### **Soft Dollars**

---

We do not receive soft dollar benefits although the non-soft dollar investment research products and services that may be obtained by our firm will generally be used to service all of our clients. A brokerage commission paid by a specific client may be used to pay for these service that is not used in managing that specific client's account. The non-soft dollar research products may benefit some but not all of the clients or may benefit only the firm.

### **Directed Brokerage**

---

In a limited number of cases, clients may direct the firm to place all orders for securities transactions with a specific broker-dealer (directed brokerage). In these cases, Enso Wealth is not obligated to, and will generally not solicit competitive bids for each transaction or seek the lowest commission rates for the client. As such, the client may pay higher commission costs, higher security prices and transaction costs than it otherwise would have had it not directed the firm to trade through a specific broker. In addition, the client may be unable to obtain the most favorable price on transactions executed by the firm as a result of our inability to aggregate/bunch the trades from this account with other client trades.

Furthermore, the client may not be able to participate in the allocation of a security of limited availability for various reasons, including if those new issue shares are provided by another broker or dealer. As a result of the special instruction, the firm may not execute client securities transactions with brokers that have been directed by clients until non-directed brokerage orders are completed. Accordingly, clients directing brokerage may not generate returns equal to clients that do not direct brokerage.

Due to these circumstances, there may be a disparity in commission rates charged to a client who directs the firm to use a particular broker and performance and other differences from other similarly managed accounts. Clients who direct brokerage should understand that similar brokerage services may be obtained from other broker-dealers at lower costs and possibly with more favorable execution.

### **Special Considerations for ERISA Clients**

---

A retirement or ERISA plan client may direct all or part of portfolio transactions for its account through a specific broker or dealer in order to obtain goods or services on behalf of the plan. Such direction is permitted provided that the goods and services provided are reasonable expenses of the plan incurred in the ordinary course of its business for which it otherwise would be obligated and empowered to pay. ERISA prohibits directed brokerage arrangements when the goods or services purchased are not for the exclusive benefit of the plan. Consequently, we will request that plan sponsors who direct plan brokerage provide us with a letter documenting that this arrangement will be for the exclusive benefit of the plan.

### **Aggregation of Purchase or Sale**

---

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

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

We review accounts on at least a quarterly basis for our clients subscribing to our Comprehensive Portfolio Management service. The nature of these reviews is to learn whether clients' accounts are in line with their investment objectives, appropriately positioned based on market conditions, and investment policies, if applicable. Enso Wealth portfolio advisors James C. DeCota, Daren E. F. Blonski, Noah B. Jacobson, William G. DeMar, Taylor M. Greenleaf, Joanna C. Aiken, Andrew E. Thompson, Joseph K. Stern, David R. Jones, Sean Harrell, Mark Clure, or Firm financial advisors under their supervision, conduct account reviews. We do not provide written reports to clients, unless asked to do so. Verbal reports to clients take place on at least an annual basis when we contact clients who subscribe to our Comprehensive Portfolio Management service.

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

Pension Consulting clients receive reviews of their pension plans for the duration of the pension consulting service. We also provide ongoing services to Pension Consulting clients where we meet with such clients upon their request to discuss updates to their plans, changes in their circumstances, etc. Pension Consulting clients do not receive written or verbal updated reports regarding their pension plans unless they choose to contract with us for ongoing Pension Consulting services.

Financial Planning clients do not receive reviews of their written plans unless they take action to schedule a financial consultation with us. We do not provide ongoing services to financial planning clients, but are willing to meet with such clients upon their request to discuss updates to their plans, changes in their circumstances, etc. Financial Planning clients do not receive written or verbal updated reports regarding their financial plans unless they separately contract with us for a post-financial plan meeting or update to their initial written financial plan.

#### **Third Party Money Managers**

We review our third-party money managers on at least an annual basis to determine if they are effectively managing our client's accounts.

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

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

While we recommend that clients use Schwab as custodian/brokers, each client decides whether to do so and opens their account with Schwab by entering into an account agreement directly with them. We do not open the account for clients.

### **Referral Fees**

We do not pay 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.

## **Item 15: Custody**

Enso Wealth does not maintain physical custody of client funds or securities. Clients are required to set up their investment accounts with a "qualified custodian," namely a broker dealer, bank or trust company. We are unable to take even temporary possession of client assets for the purpose of transferring them to the client's account. Each client has a direct relationship with their custodian and is responsible for making deposits to and withdrawals from their account as necessary.

The firm is given the authority to receive payment of its management fees directly from the account, but it is not authorized to make any other withdrawals or to transfer money out of the account to a third party. Regulators generally take the position that where an investment adviser is authorized or permitted to withdraw advisory fees from a client upon the adviser's instruction to the custodian, the advisor is "deemed" to have custody (although not physical custody) of client assets. As such, we have adopted the following safeguarding procedures:

- Our clients must maintain their investment accounts with a qualified third-party custodian, independent of our firm;
- Our clients must provide their custodian with written authorization permitting direct payment to us of our advisory fees directly from their account(s);
- We must send a statement to our clients showing the amount of our fee, the value of the assets upon which our fee was based, and the specific manner in which our fee was calculated;
- We must disclose to our clients that it is their responsibility to verify the accuracy of our fee calculation, and that the custodian will not determine whether the fee is properly calculated; and
- The account custodian must agree to send our clients a statement, at least quarterly, showing all disbursements from their account, including advisory fees.

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

Based on the No-Action Letter submitted by the Investment Adviser Association dated July 21, 2017, the SEC indicates that an adviser generally has custody where a client grants the adviser power in a standing letter of authorization ("SLOA") to conduct third party transfers (i.e. Instruct the qualified custodian to accept the adviser's direction on the client's behalf to move money to a third party designated in the SLOA). These SLOAs have been put in place upon the client's written request and signature. For instance, the amount or timing of the transfers may not be on the SLOA submitted to the custodian; however, at a future date, a client will contact the Adviser requesting that the adviser submit instructions to the custodian to remit a specific dollar amount

from the account to the designated third-party (both of which are identified in the SLOA that is on file). As further outlined in the No-Action Letter, the Adviser is exempt from certain ongoing requirements of the Custody Rule as we comply with the stated conditions of the letter.

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

Clients appoint Enso Wealth as their investment advisor and grant full trading and investment discretion over their assets at the time they establish their investment accounts. Subject to the Firm's investment strategy and the client's investment objectives, our portfolio managers are given full discretion to determine:

- Types of investments;
- Which securities to buy;
- Which securities to sell;
- The timing of any buys or sells;
- The amount of securities to buy or sell; and
- The broker-dealer to be used in the transaction

This discretion may be limited by client investment guidelines and by any investment restrictions set by the client. Where possible, the Firm will attempt to negotiate the commission rates at which transactions for client accounts are affected, with the objective of attaining the most favorable price and market execution for each transaction.

The Firm may accept client investment assets on a non-discretionary basis. In these instances, our portfolio manager will make recommendations to the client regarding types of investments to buy and sell, the timing and amount of such transactions and where applicable, the executing broker-dealer to affect the transactions. The decision to implement or reject the portfolio manager's recommendations remains with the client and transactions will be entered only after specific client authorization.

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

We consider proxy voting an important right of our clients as shareholders and believe that reasonable care and diligence must be taken to ensure that such rights are properly and timely exercised. When we have discretion to vote the proxies of our clients, we will vote those proxies in the best interests of the client.

As a discretionary investment adviser for its clients, Enso Wealth generally is authorized to vote on all matters for which a shareholder vote is solicited by, or with respect to, issuers of securities beneficially held in client accounts. Clients may instruct the custodian of their accounts that the client will retain the authority to vote such shareholder matters and that the client does not authorize the firm to do so on the client's behalf.

Where it is granted voting authority, Enso Wealth will vote as it deems appropriate in accordance with its written policies and procedures. These policies and procedures set forth pre-determined guidelines for voting many typical proxy proposals. However, each proxy issue will be considered individually in order that Firm may consider in its judgment what would be in the client's best interest.

If a proxy proposal raises a material conflict of interest between the interests of the firm and its client, we will forward the proxy voting materials to the client. If the client desires that the firm

votes the proxy, we will adhere to our proxy voting guidelines in an objective and consistent manner across all client accounts. Further, if the firm has discretion to deviate from, or does not have specific guidelines with respect to, the proposal in question, we will cast the proxies in the same proportion as the other shareholders of the issuer who are not affiliated with the firm have done, to the extent it has available information from the issuer or its agent to permit that form of voting. This form of voting is known as shadow or mirror voting. To the extent that shadow voting is not available on a timely basis, we will abstain from voting the securities held by that client's account.

Clients may obtain a copy of Enso Wealth's proxy voting policies and procedures and/or information on how the firm has voted the client's securities upon written request. There may also be a variety of corporate actions or other matters for which shareholder action is required or solicited and with respect to which we may take action that it deems appropriate in its best judgment except to the extent otherwise required by agreement with the client. These actions may include, for example and without limitation, tender offers or exchanges, and class actions.

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

Enso Wealth does not require or solicit prepayment of more than \$1,200 of its investment management fees from clients six or more months in advance. There are no adverse conditions related to the Firm's finances that are likely to impair its ability to meet its contractual commitments to its clients. The Firm has not been the subject of a bankruptcy filing in the last ten years.