

# **Brixton Capital Wealth Advisors, LLC**

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## **FORM ADV PART 2A BROCHURE**

This brochure provides information about the qualifications and business practices of Brixton Capital Wealth Advisors, LLC. If you have any questions about the contents of this brochure, contact us at 516-222-5300. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Brixton Capital Wealth Advisors, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Brixton Capital Wealth Advisors, LLC is a SEC Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

## 2 Summary of Material Changes

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Albert Pette is no longer a minority owner of Brixton Capital Wealth Advisors. The firm is currently owned by Stephen Perrone, Sr. (34%), Stephen Perrone, Jr. (33%) and John Perrone (33%).

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## Item 4. Advisory Business

### Description of Firm

Brixton Capital Wealth Advisors ("BCWA"), LLC is a SEC Registered Investment Adviser based in Union Dale New York, BCWA is organized as a Limited Liability Company ("LLC") under the laws of the State of New York and has been providing investment advisory services since July 2017. The firm is owned by Stephen J. Perrone Sr (34%), John Perrone (33%) and Stephen Perrone, Jr. (33%).

The following paragraphs describe our services and fees. Please refer to the description of each type of investment advisory service listed below for information on how we tailor our advisory services to your individual needs, goals and objectives. As used in this brochure, the words "we," "our," "us" and "BCWA" refer to Brixton Capital Wealth Advisors, LLC and the words "you," "your," and "client" refer to you as either a client or prospective client of BCWA.

### Portfolio Management Services

BCWA offers discretionary portfolio management services. Our investment advice is tailored to meet our clients' specific needs and investment objectives.

If you participate in our discretionary portfolio management services, we require that you to grant us discretionary authority to manage and trade in your account. Subject to a grant of discretionary authorization, we have the authority and responsibility to formulate investment strategies on your behalf. Discretionary authorization will permit us to determine the specific securities and the amount of securities, to be purchased or sold for your account without obtaining your approval prior to each transaction. BCWA will also have discretion over the broker or dealer to be used for securities transactions in your account. Discretionary authority is typically granted by the investment advisory agreement you sign with our firm, a power of attorney, or trading authorization forms. You may limit our discretionary authority (for example, limiting the types of securities that can be purchased or sold for your account) by providing our firm with your restrictions and guidelines in writing.

BCWA also offers non-discretionary portfolio management services. If you enter into non-discretionary arrangements with our firm, we will need to obtain your approval prior to executing any transactions on behalf of your account. You have an unrestricted right to decline to implement any advice provided by our firm on a non-discretionary basis.

As part of our portfolio management services, we may use one or more sub-advisers to manage a portion of your account on a discretionary basis. The sub-adviser(s) may use one or more of their model portfolios to manage your account. We will regularly monitor the performance of your accounts managed by sub-adviser(s), and may hire and fire any sub-adviser without your prior approval (for discretionary accounts). BCWA may pay a portion of our advisory fee to the sub-adviser(s) we use; however, you will not pay our firm a higher advisory fee as a result of any sub-advisory relationships and we do not receive any payment from the sub-advisor chosen for your account.

As part of our portfolio management services, in addition to other types of investments (see disclosures below in this section), we may invest your assets according to one or more model portfolios developed by an unaffiliated investment manager. These models are designed for investors with varying degrees of risk tolerance ranging from a more aggressive investment strategy to a more conservative investment approach. Clients whose assets are invested in model portfolios may not set restrictions on the specific holdings or allocations within the model, nor the types of securities that can be purchased in the model. Nonetheless, clients may impose restrictions on investing in certain securities or types of securities in their account. In such cases, this may prevent a client from investing in certain models that are managed by our firm.

## **Financial Planning Services**

BCWA offers financial planning services which typically involve providing a variety of advisory services to clients regarding the management of their financial resources based upon an analysis of their individual needs. These services can range from broad-based financial planning to consultative or single subject planning. If you retain our firm for financial planning services, we will gather information about your financial circumstances and objectives from you. We may also use financial planning software to determine your current financial position and to define and quantify your long-term goals and objectives. Once we specify those long-term objectives (both financial and non-financial), we will develop shorter-term, targeted objectives. Once we review and analyze the information you provide to our firm and the data derived from our financial planning software, we will deliver a written plan to you, designed to help you achieve your stated financial goals and objectives.

Financial plans are based on your specific financial situation at the time we present the plan to you, and on the financial information you provide to us. You must promptly notify our firm if your financial situation, goals, objectives, or needs change.

You are under no obligation to act on our financial planning recommendations. Should you choose to act on any of our recommendations, you are not obligated to implement the financial plan through BCWA. Moreover, you may act on our recommendations by placing securities transactions with any brokerage firm.

## **Financial Consulting Services**

BCWA offers financial consulting services that primarily involve advising clients on specific financial-related topics. The topics we address may include, but are not limited to, risk assessment/management, investment planning, financial organization, or financial decision making/negotiation.

## **Selection of Other Advisers**

BCWA may recommend that you use the services of a third-party money manager ("TPMM") to manage all, or a portion of, your investment portfolio. After gathering information about your financial situation and objectives, we may recommend that you engage a specific TPMM or investment program. Factors that we take into consideration when making our recommendation(s) include, but are not limited to, the following: the TPMM's performance, methods of analysis, fees, your financial needs, investment goals, risk tolerance, and investment objectives.

The TPMM(s) chosen will actively manage your portfolio and will assume discretionary investment authority over your account. We will assume discretionary authority to hire and fire TPMM(s) and/or reallocate your assets to other TPMM(s) where we deem such action appropriate.

We may recommend that you use a third-party money manager ("TPMM") based on your needs and suitability. We will not receive separate compensation, directly or indirectly, from the TPMM for recommending that you use their services. Moreover, we do not have any other business relationships with the recommended TPMM(s).

Brixton charges you its advisory fee only and receives no payment from the TPMM. The cost of BCWA's advisory services and the separate costs associated with the TPMM will be disclosed to you in writing and are part of the agreements that you will sign.

## Types of Investments

BCWA offers advice on equity securities, corporate debt securities (other than commercial paper), certificates of deposit, municipal securities, mutual fund shares, United States government securities, options contracts on securities, money market funds, real estate, REITs, structured notes, ETFs, variable annuities, interests in partnerships investing in real estate and interests in partnerships investing in oil and gas interests.

Advisors that provide annuity advice to you are licensed as both insurance representatives and as Registered Representatives with a broker-dealer. These advisors are paid on the business by the broker dealer and this is in addition to the fees that are paid to BCWA for managing your account. These assets are not included in your assets under management unless BCWA is managing the subaccounts on your behalf. Variable life policies who sub accounts are managed by BCWA are included in the assets undermanagement.

Advisors that provide insurance advice to you are licensed as insurance representatives. These advisors are paid on any insurance business in addition to any advisory fees that you may pay to BCWA. Life insurance is not included in your assets under management unless it is a variable life policy where the subaccounts are being managed by BCWA.

Additionally, we may advise you on various types of investments based on your stated goals and objectives. We may also provide advice on any type of investment held in your portfolio at the inception of our advisory relationship with you.

## Assets Under Management

As of December 31, 2018, we provide continuous management services for \$79,500,000 in client assets on a discretionary basis, and \$11,600,000 in client assets on a non-discretionary basis.

## Item 5. Fees and Compensation

### Portfolio Management Services

On accounts that are primarily comprised of exchange traded funds ("ETF"), mutual funds, or similar products, our annual fee for portfolio management services varies between **.30% to 1.00%** of total assets under management, on all other accounts, our annual fee for portfolio management services varies between **1.25% to 1.75%** of the total assets under management. These fees are in addition to any fees that may be charged by an EFT or Mutual Fund. Fees may vary within these ranges depending upon the market value of your assets under our management, the type and complexity of the asset management services provided, as well as the level of administration requested either directly or assumed by the client.

Fees may be negotiated on a case-by-case basis and will be documented in writing on the investment management agreement that you sign at the time the account is opened. Please let your advisor know if you have any questions about the specific fees for your account.

Please refer to *Methods of Analysis, Investment Strategies and Risk of Loss* section for a discussion of the risks associated with these types of securities products.

Assets in each of your account(s) are included in the fee assessment unless specifically identified in writing for exclusion. Our annual portfolio management fee is billed and payable, quarterly in arrears, based on the balance at end of billing period. In general fees are taken directly out of client accounts, however clients may choose to pay the fees separately.

If the portfolio management agreement is executed at any time other than the first day of a calendar quarter, our fees will apply on a pro rata basis, which means that the advisory fee is payable in proportion to the number of days in the quarter for which you are a client. Our advisory fee is negotiable, depending on individual client circumstances. At our discretion, we may combine the account values of family members living in the same household to determine the applicable advisory fee. For example, we may combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts. Combining account values may increase the asset total, which may result in your paying a reduced advisory fee based on the available breakpoints in our fee schedule stated above.

We encourage you to reconcile your debited fees with the statement(s) you receive from the qualified custodian holding your account. If you find any inconsistent information between your fees and the statement(s) you receive from the qualified custodian, please call our main office number located on the cover page of this brochure.

You may terminate the portfolio management agreement upon 30 days written notice. You will incur a pro rata charge for services rendered prior to the termination of the portfolio management agreement, which means you will incur advisory fees only in proportion to the number of days in the quarter for which you are a client. If you have pre-paid advisory fees that we have not yet earned, you will receive a prorated refund of those fees.

### **Financial Planning Services**

BCWA charges an hourly fee of **\$250** for financial planning services, which is negotiable depending on the scope and complexity of the plan, your situation, and your financial objectives. An estimate of the total time/cost will be determined at the start of the advisory relationship. In limited circumstances, the cost/time could potentially exceed the initial estimate. In such cases, we will notify you in writing and request that you approve the additional fee. We also offer advice on single subject financial planning/general consulting services at the same hourly rate. At our discretion, we may offset our financial planning fees to the extent you implement the financial plan through our Portfolio Management Services.

Our financial planning fees are negotiable and payable on completion of the contracted services. All fees and services will be provided in writing prior to any services being performed. You may terminate the financial planning agreement by providing 30-days written notice to our firm. Since fees are payable in arrears, you will be responsible for a prorated fee based on services performed.

### **Financial Consulting Services**

BCWA charges a fixed fee for financial consulting services. Fixed fees are negotiable and usually range from **\$1,000 - \$2,500**, depending on the scope and complexity of services rendered. Our consulting fee is payable upon completion of the agreed upon consulting services and the signing of a written agreement. We will not require prepayment of a fee more than six months in advance and in excess of \$1,200. You may terminate the advisory consulting services agreement upon 30 days written notice to our firm. Since fees are payable in arrears, you will be responsible for a prorated fee based on services performed.

### **Selection of Other Advisers**

Advisory fees charged by TPMMs are included within the fee ranges set forth in the *Portfolio Management Services* section in this brochure. Advisory fees that you pay to the TPMM are established and payable in accordance with the brochure provided by each TPMM to whom you are referred. These fees may or may not be negotiable. You should review the recommended

TPMM's brochure and take into consideration the TPMM's fees which are in addition to our advisory fees in order to determine the total amount of fees associated with this program.

You may be required to sign an agreement directly with the recommended TPMM(s). You may terminate your advisory relationship with the TPMM according to the terms of your agreement with the TPMM. You should review each TPMM's brochure for specific information on how you may terminate your advisory relationship with the TPMM and how you may receive a refund, if applicable. You should contact the TPMM directly for questions regarding your advisory agreement with the TPMM.

### **Additional Fees and Expenses**

As part of our investment advisory services to you, we may invest, or recommend that you invest, in mutual funds and exchange traded funds. The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. While BCWA uses "no-load" classes of mutual funds, that does not mean the fund manager does not get compensated. BCWA does not invest in fund classes that carry 12-b-1 fees.

You will also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through whom your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. For information on our brokerage practices, refer to the *Brokerage Practices* section of this brochure.

### **Compensation for the Sale of Securities or Other Investment Products**

Some Advisors providing investment advice on behalf of our firm are registered representatives with Western International Securities Inc. a securities broker-dealer, and a member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation ("SIPSC"). In their capacity as registered representatives, these persons will receive commission-based compensation in connection with the purchase and sale of securities, including 12b-1 fees for the sale of investment company products ("Mutual Funds"). Compensation earned by these persons in their capacities as registered representatives is separate and **in addition** to our advisory fees. This practice presents a conflict of interest because persons providing investment advice on behalf of our firm who are registered representatives have an incentive to effect securities transactions for the purpose of generating commissions rather than solely based on your needs. You are under no obligation, contractually or otherwise, to purchase securities products through any person affiliated with our firm.

Persons providing investment advice on behalf of our firm also may be licensed as independent insurance agents. These persons will earn commission-based compensation for selling insurance products, including insurance products they sell to you. Insurance commissions earned by these persons are separate and **in addition** to our advisory fees. This practice presents a conflict of interest because persons providing investment advice on behalf of our firm who are insurance agents have an incentive to recommend insurance products to you for the purpose of generating commissions rather than solely based on your needs. You are under no obligation, contractually or otherwise, to purchase insurance products through any person affiliated with our firm.

Insurance products are not included in the assets undermanagement that are used to calculate the advisory fees that you pay to us.



## Item 6. Performance-Based Fees and Side-By-Side Management

BCWA does not accept performance-based fees or participate in side-by-side management. Performance-based fees are fees that are based on a share of a capital gains or capital appreciation of a client's account. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Our fees are calculated as described in the *Fees and Compensation* section above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

## Item 7. Types of Clients

BCWA offers investment advisory services to individuals, including high net worth individuals as well as Trusts and corporate accounts.

In general, we require a minimum of \$100,000 to open and maintain an advisory account. At our discretion, we may waive this minimum account size on a case-by-case basis. For example, the minimum may be waived if you may be planning to add significantly to your assets under management.

We may also combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts to meet the stated minimum.

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

### Our Methods of Analysis and Investment Strategies

BCWA may use one or more of the following methods of analysis or investment strategies when providing investment advice to you:

**Charting Analysis** – This involves the gathering and processing of price and volume pattern information for a particular security, sector, broad index or commodity. This price and volume pattern information is analyzed. The resulting pattern and correlation data is used to detect departures from expected performance and diversification and predict future price movements and trends.

**Risk:** Our charting analysis may not accurately detect anomalies or predict future price movements. Current prices of securities may reflect all information known about the security and day-to-day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

**Fundamental Analysis** – This involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company and its industry. The resulting data is used to measure the true value of the company's stock compared to the current market value.

**Risk:** The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.

**Modern Portfolio Theory** – This is a theory of investment which attempts to maximize portfolio expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, by carefully diversifying the proportions of various assets.

**Risk:** Market risk is that part of a security's risk that is common to all securities of the same general class (stocks and bonds) and thus cannot be eliminated by diversification.

**Long-Term Purchases** - securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.

**Risk:** Using a long-term purchase strategy generally assumes the financial markets will go up in the long-term which may not be the case. There is also the risk that the segment of the market that you are invested in or perhaps just your particular investment will go down over time even if the overall financial markets advance. Purchasing investments long-term may create an opportunity cost - "locking-up" assets that may be better utilized in the short-term in other investments.

**Option Writing** – This is a securities transaction that involves selling an option. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell a particular security at a specified price on or before the expiration date of the option. When an investor sells a call option, he or she must deliver to the buyer a specified number of shares if the buyer exercises the option. When an investor sells a put option, he or she must pay the strike price per share if the buyer exercises the option, and will receive the specified number of shares. The option writer/seller receives a premium (the market price of the option at a particular time) in exchange for writing the option.

**Risk:** Options are complex investments and can be very risky, especially if the investor does not own the underlying stock. In certain situations, an investor's risk can be unlimited. Options are not suitable for all clients. Any clients whose assets are invested in options will be provided with a copy of the Options Clearing Corporations *Characteristics and Risks of Standardized Options* brochure and any supplements. This brochure can also be found at: <https://www.theocc.com/about/publications/character-risks.jsp>. Clients should review the information in the brochure regarding the risk of trading options.

Our investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial information, liquidity needs and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio. **It is important that you notify us immediately with respect to any material changes to your financial circumstances, including for example, a change in your current or expected income level, tax circumstances, or employment status.**

We will advise you on how to allocate your assets among various classes of securities or third-party money managers. We primarily rely on investment model portfolios and strategies developed by the third-party money managers and their portfolio managers. We may replace/recommend replacing a third-party money manager if there is a significant deviation in characteristics or performance from the stated strategy and/or benchmark.

### **Tax Considerations**

Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets and we do not provide tax advice of any kind. Regardless of your account size or any other factors, we strongly recommend that you consult with your tax professional regarding the investing of your assets.

Moreover, custodians and broker-dealers must report the cost basis of equities acquired in client accounts on or after January 1, 2011. Your custodian will default to the First-In First-Out ("FIFO") accounting method for calculating the cost basis of your investments. You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, provide written notice to our firm immediately and we will alert your account custodian of your individually selected accounting method. Decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

## **Risk of Loss**

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

## **Other Risk Considerations**

When evaluating risk, financial loss may be viewed differently by each client and may depend on many different risks, each of which may affect the probability and magnitude of any potential losses. The following risks may not be all-inclusive, but should be considered carefully by a prospective client before retaining our services.

**Liquidity Risk:** The risk of being unable to sell your investment at a fair price at a given time due to high volatility or lack of active liquid markets. You may receive a lower price or it may not be possible to sell the investment at all.

**Credit Risk:** Credit risk typically applies to debt investments such as corporate, municipal, and sovereign fixed income or bonds. A bond issuing entity can experience a credit event that could impair or erase the value of an issuer's securities held by a client.

**Inflation and Interest Rate Risk:** Security prices and portfolio returns will likely vary in response to changes in inflation and interest rates. Inflation causes the value of future dollars to be worth less and may reduce the purchasing power of a client's future interest payments and principal. Inflation also generally leads to higher interest rates which may cause the value of many types of fixed income investments to decline.

**Horizon and Longevity Risk:** The risk that your investment horizon is shortened because of an unforeseen event, for example, the loss of your job. This may force you to sell investments that you were expecting to hold for the long term. If you must sell at a time that the markets are down, you may lose money. Longevity Risk is the risk of outliving your savings. This risk is particularly relevant for people who are retired, or are nearing retirement.

**Call Risk-** A callable provision of a security allows the issuer to call or repay early. If interest rates drop low enough an issuer can save money by calling the security and issuing a new security at lower interest rate. If this happens the interest payments may cease and clients may receive their principal early.

**Complex Products-** Complex products may include more than one risk, from any embedded features of any such as structured products, equity-indexed annuities, leveraged and inverse exchange-traded funds (ETFs), principal protected notes, reverse convertibles and commodity future-linked securities.

## Recommendation of Particular Types of Securities

We recommend various types of securities and we do not primarily recommend one particular type of security over another since each client has different needs and different tolerance for risk. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the potential risk of loss associated with the investment. A description of the types of securities we may recommend to you and some of their inherent risks are provided below:

**Money Market Funds:** A money market fund is technically a security. The fund managers attempt to keep the share price constant at \$1/share. However, there is no guarantee that the share price will stay at \$1/share. If the share price goes down, you can lose some or all of your principal. The U.S. Securities and Exchange Commission ("SEC") notes that "While investor losses in money market funds have been rare, they are possible." In return for this risk, you should earn a greater return on your cash than you would expect from a Federal Deposit Insurance Corporation ("FDIC") insured savings account (**money market funds are not FDIC insured**). Next, money market fund rates are variable. In other words, you do not know how much you will earn on your investment next month.

The rate could go up or go down. If it goes up, that may result in a positive outcome. However, if it goes down and you earn less than you expected to earn, you may end up needing more cash. A final risk you are taking with money market funds has to do with inflation. Because money market funds are considered to be safer than other investments like stocks, long-term average returns on money market funds tend to be less than long term average returns on riskier investments. Over long periods of time, inflation can eat away at your returns.

**Certificates of Deposit:** Certificates of deposit are generally a safer type of investment when they are FDIC insured. However, because the returns are generally very low, it is possible for inflation to outpace the return. Likewise, U.S. government securities are backed by the full faith and credit of the U.S. government but it is also possible for the rate of inflation to exceed the returns.

**Municipal Securities:** Municipal securities, while generally thought of as safer investment, can have significant risks associated with them including, but not limited to: the credit worthiness of the governmental entity that issues the bond; the stability of the revenue stream that is used to pay the interest to the bondholders; when the bond is due to mature; and, whether or not the bond can be "called" prior to maturity. When a bond is called, it may not be possible to replace it with a bond of equal character paying the same amount of interest or yield to maturity.

**Bonds:** Corporate debt securities (or "bonds") are typically safer investments than equity securities, but their risk can also vary widely based on: the financial health of the issuer; the risk that the issuer might default; when the bond is set to mature; and, whether or not the bond can be "called" prior to maturity. When a bond is called, it may not be possible to replace it with a bond of equal character paying the same rate of return.

**Stocks:** There are numerous ways of measuring the risk of equity securities (also known simply as "equities" or "stock"). In very broad terms, the value of a stock depends on the financial health of the company issuing it. However, stock prices can be affected by many other factors including, but not limited to the class of stock (for example, preferred or common); the health of the market sector of the issuing company; and, the overall health of the economy. In general, larger, better established companies ("large cap") tend to be safer than smaller start-up companies ("small cap") are but the mere size of an issuer is not, by itself, an indicator of the safety of the investment.

**Mutual Funds and Exchange Traded Funds:** Mutual Funds and Exchange Traded Funds ("ETF") are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities, or any combination thereof.

The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While Mutual Funds and ETFs generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities.

ETFs differ from Mutual Funds since they can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. The returns on Mutual Funds and ETFs can be reduced by the costs to manage the funds. Also, while some Mutual Funds are "no load" and charge no fee to buy into, or sell out of, the fund, other types of mutual funds do charge such fees which can also reduce returns. Mutual Funds can also be "closed end" or "open end". So-called "open end" mutual funds continue to issue additional shares indefinitely whereas "closed end" funds have a fixed number of shares to sell which can limit their availability to new investors.

ETFs may have tracking error risks. For example, the ETF investment adviser may not be able to cause the ETF's performance to match that of its underlying index or other benchmark, which may negatively affect the ETF's performance. In addition, for leveraged and inverse ETFs that seek to track the performance of their underlying indices or benchmarks on a daily basis, mathematical compounding may prevent the ETF from correlating with performance of its benchmark. In addition, an ETF may not have investment exposure to all of the securities included in its underlying index, or its weighting of investment exposure to such securities may vary from that of the underlying index. Some ETFs may invest in securities or financial instruments that are not included in the underlying index, but which are expected to yield similar performance.

**Real Estate:** Real estate is increasingly being used as part of a long-term core strategy due to increased market efficiency and increasing concerns about the future long-term variability of stock and bond returns. In fact, real estate is known for its ability to serve as a portfolio diversifier and inflation hedge. However, the asset class still bears a considerable amount of market risk. Real estate has shown itself to be very cyclical, somewhat mirroring the ups and downs of the overall economy. In addition to employment and demographic changes, real estate is also influenced by changes in interest rates and the credit markets, which affect the demand and supply of capital and thus real estate values. Along with changes in market fundamentals, investors wishing to add real estate as part of their core investment portfolios need to look for property concentrations by area or by property type. Because property returns are directly affected by local market basics, real estate portfolios that are too heavily concentrated in one area or property type can lose their risk mitigation attributes and bear additional risk by being too influenced by local or sector market changes.

**Real Estate Investment Trust:** A Real Estate Investment Trust ("REIT") is a corporate entity which invests in real estate and/or engages in real estate financing. A REIT seeks to reduce or eliminate corporate income taxes. REITs can be publicly or privately held. Public REITs may be listed on public stock exchanges and be very liquid. Non-Public REITs do not have a ready market and you may not be able to sell them upon request. REITs are required to declare 90% of their taxable income as dividends, but they actually pay dividends out of funds from operations, so cash flow has to be strong or the REIT must either dip into reserves, borrow to pay dividends, or distribute them in stock (which causes dilution). After 2012, the IRS stopped permitting stock dividends. Most REITs must refinance or erase large balloon debts periodically. The credit markets are no longer frozen, but banks are demanding, and getting, harsher terms to re-extend REIT debt. Some REITs may be forced to make secondary stock offerings to repay debt, which will lead to additional dilution of the stockholders. Fluctuations in the real estate market can affect the REIT's value and dividends.



**Limited Partnerships:** A limited partnership is a financial affiliation that includes at least one general partner and a number of limited partners. The partnership invests in a venture, such as real estate development or oil exploration, for financial gain. The general partner does not usually invest any capital, but has management authority and unlimited liability. That is, the general partner runs the business and, in the event of bankruptcy, is responsible for all debts not paid or discharged. The limited partners have no management authority and confine their participation to their capital investment. That is, limited partners invest a certain amount of money and have nothing else to do with the business. However, their liability is limited to the amount of the investment. In the worst-case scenario for a limited partner, he/she loses what he/she invested. Profits are divided between general and limited partners according to an arrangement formed at the creation of the partnership. Limited partnerships may not be liquid, meaning that you cannot sell them upon request. BCWA only uses Master Limited Partnership ("MLP"). MLPs are publicly traded and can be liquidated upon request.

Limited Partnerships are appropriate for high net worth investors comfortable with receiving a K-1 for each investment rather than a 1099. BCWA does not provide tax advice. You should consult with your personal tax advisor prior to making any investments.

**Options Contracts:** Options are complex securities that involve risks and are not suitable for everyone. Option trading can be speculative in nature and carry substantial risk of loss. It is generally recommended that you only invest in options with risk capital. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an underlying asset at a specific price on or before a certain date (the "expiration date"). The two types of options are calls and puts. A call gives the holder the right to buy an asset at a certain price within a specific period of time. Calls are similar to having a long position on a stock. Buyers of calls hope that the stock will increase substantially before the option expires. A put gives the holder the right to sell an asset at a certain price within a specific period of time. Puts are very similar to having a short position on a stock. Buyers of puts hope that the price of the stock will fall before the option expires. Selling options is more complicated and can be even riskier.

Some of the option trading risks pertaining to options buyers are:

- Risk of losing your entire investment in a relatively short period of time;
- The risk of losing your entire investment increases if, as expiration nears, the stock is below the strike price of the call (for a call option) or if the stock is higher than the strike price of the put (for a put option);
- European style options which do not have secondary markets on which to sell the options prior to expiration can only realize its value upon expiration.;
- Specific exercise provisions of a specific option contract may create risks; and
- Regulatory agencies may impose exercise restrictions, which stops you from realizing value.

Some of the option trading risks pertaining to options sellers are:

- Options sold may be exercised at any time before expiration;
- Covered Call traders forgo the right to profit when the underlying stock rises above the strike price of the call options sold and continues to risk a loss due to a decline in the underlying stock;
- Writers of Naked Calls risk unlimited losses if the underlying stock rises;
- Writers of naked positions run margin risks if the position goes into significant losses. Such risks may include liquidation by the broker;
- Writers of call options could lose more money than a short seller of that stock could on the same rise on that underlying stock. This is an example of how the leverage in options can work against the option trader;

- Writers of Naked Calls are obligated to deliver shares of the underlying stock if those call options are exercised;
- Call options can be exercised outside of market hours such that effective remedy actions cannot be performed by the writer of those options;
- Writers of stock options are obligated under the options that they sold even if a trading market is not available or that they are unable to perform a closing transaction; and
- The value of the underlying stock may surge or ditch unexpectedly, leading to automatic exercises.

Other option trading risks are:

- The complexity of some option strategies is a significant risk on its own;
- Option trading exchanges or markets and option contracts themselves are open to changes at all times;
- Options markets have the right to halt the trading of any options, thus preventing investors from realizing value;
- Risk of erroneous reporting of exercise value;
- If an options brokerage firm goes insolvent, investors trading through that firm may be affected; and
- Internationally traded options have special risks due to timing across borders.

Risks that are not specific to options trading include market risk, sector risk and individual stock risk. Option trading risks are closely related to stock risks, as stock options are a derivative of stocks.

**Structured Products:** A structured product, also known as a market-linked product, is generally a pre-packaged investment strategy based on derivatives, such as a single security, a basket of securities, options, indices, commodities, debt issuances, and/or foreign currencies, and to a lesser extent, swaps. Structured products are usually issued by investment banks or affiliates thereof.

They usually have a fixed maturity, and have two components: a note and a derivative. The derivative component is often an option. The note provides for periodic interest payments to the investor at a predetermined rate, and the derivative component provides for the payment at maturity. Some products use the derivative component as a put option written by the investor that gives the buyer of the put option the right to sell to the investor the security or securities at a predetermined price. Other products use the derivative component to provide for a call option written by the investor that gives the buyer of the call option the right to buy the security or securities from the investor at a predetermined price.

A feature of some structured products is a "principal guarantee" function, which offers protection of principal if held to maturity. However, these products are not always Federal Deposit Insurance Corporation insured; they may only be insured by the issuer, and thus have the potential for loss of principal in the case of a liquidity crisis, or other solvency problems with the issuing company. Investing in structured products involves a number of risks including but not limited to: fluctuations in the price, level or yield of underlying instruments, interest rates, currency values and credit quality; substantial loss of principal; limits on participation in any appreciation of the underlying instrument; limited liquidity; credit risk of the issuer; conflicts of interest; and, other events that are difficult to predict.

## Item 9. Disciplinary Information

We are required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of our advisory business or the integrity of our management. BCWA does not have any required disclosures under this item.

## Item 10. Other Financial Industry Activities and Affiliations

We have not provided information on other financial industry activities and affiliations because BCWA as a firm only engages in advisory business. However, there are Investment Advisory Representatives who do engage in other financial business activities.

Stephen Perrone, Sr. is a Vice President-Investments and Registered Representative with Western International Securities, Inc. ("WIS"). WIS is a registered broker-dealer and is a diversified financial services company engaged in the sale of specialized investment products. In this capacity, Mr. Perrone may recommend securities or insurance products offered by WIS as part of your investment portfolio. If you purchase these products through Mr. Perrone, he will receive the customary commissions in his separate capacity as a Registered Representative of WIS. These commissions are in addition to the advisory fees that you pay to BCWA.

Additionally, Mr. Perrone could be eligible to receive incentive awards such as WIS, may offer. He may also receive 12b-1 fees from mutual funds that pay such fees. The receipt of additional compensation may give Mr. Perrone an incentive to recommend investment products based on the compensation received, rather than on your investment needs. BCWA Advisory Assets are not invested in mutual funds that have 12b-1 fees.

Stephen Joseph Perrone, Jr. is separately licensed as an independent insurance agent. In this capacity, he can effect transactions in insurance products for his clients and earn commissions for these activities. The fees you pay our firm for advisory services are separate and distinct from the commissions earned by Mr. Perrone for insurance related activities. This presents a conflict of interest because Mr. Perrone may have an incentive to recommend insurance products to you for the purpose of generating commissions rather than solely based on your needs. However, you are under no obligation, contractually or otherwise, to purchase insurance products through any person affiliated with our firm. Insurance products are not included in the assets under management that we charge advisory fees for.

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

### **Description of Our Code of Ethics**

BCWA strives to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for persons associated with our firm. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All persons associated with our firm are expected to adhere strictly to these guidelines. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

Clients or prospective clients may obtain a copy of our Code of Ethics by contacting us at the telephone number on the cover page of this brochure.

### **Participation or Interest in Client Transactions**

Neither our firm nor any persons associated with our firm has any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this brochure.



## **Personal Trading Practices**

BCWA or persons associated with our firm may buy or sell the same securities that we recommend to you or securities in which you are already invested. A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To mitigate this conflict of interest, it is our policy that neither our firm nor persons associated with our firm shall have priority over your account in the purchase or sale of securities.

## **Block Trading**

BCWA or persons associated with our firm may buy or sell securities for you at the same time we or persons associated with our firm buy or sell such securities for our own account. We may also combine our orders to purchase securities with your orders to purchase securities ("block trading"). Refer to the *Brokerage Practices* section in this brochure for information on our block trading practices, on a given day.

A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To eliminate this conflict of interest, it is our policy that neither our firm nor persons associated with our firm shall have priority over your account in the purchase or sale of securities.

## **Item 12. Brokerage Practices**

BCWA recommends the brokerage and custodial services of Charles Schwab. Your assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. In recognition of the value of the services the Custodian provides, you may pay higher commissions and/or trading costs than those that may be available elsewhere.

We seek to recommend a custodian/broker that will hold your assets and execute transactions on terms that are, overall, the most favorable compared to other available providers and their services. We consider various factors, including:

- Capability to buy and sell securities for your account itself or to facilitate such services;
- The likelihood that your trades will be executed;
- Availability of investment research and tools.
- Overall quality of services;
- Competitiveness of price;
- Reputation, financial strength, and stability; and
- Existing relationship with our firm and our other clients.

## **Research and Other Soft Dollar Benefits**

BCWA does not have any soft dollar arrangements.

## **Economic Benefits**

As a registered investment adviser, we have access to the institutional platform of your account custodian. As such, we will also have access to research products and services from your account custodian and/or other brokerage firm. These products may include financial publications, information about particular companies and industries, research software, and other products or services that provide lawful and appropriate assistance to our firm in the performance of our investment decision-

making responsibilities. Such research products and services are provided to all investment advisers that utilize the institutional services platforms of these firms, and are not considered to be paid for with soft dollars. However, you should be aware that the commissions charged by a particular broker for a particular transaction or set of transactions may be greater than the amounts another broker who did not provide research services or products might charge.

### **Schwab - Your Custody and Brokerage Costs**

For our clients' accounts it maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. For some accounts, Schwab may charge you a percentage of the dollar amount of assets in the account in lieu of commissions. Schwab's commission rates and/or asset-based fees applicable to our client accounts were negotiated based on our commitment to maintain \$25 million of our clients' assets statement equity in accounts at Schwab. In addition to commission rates and/or asset-based fees Schwab charges you a flat dollar amount as a "prime broker" or "trade away" fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we have Schwab execute most trades for your account. These costs are in addition to the advisory fees that you pay to us.

### **Schwab Advisor Services**

Schwab Advisor Services (formerly called Schwab Institutional) is Schwab's business serving independent investment advisory firms like us. They provide us and our clients with access to its institutional brokerage-trading, custody, reporting and related services - many of which are not typically available to Schwab retail customers. Schwab also makes available various support services.

Some of those services help us manage or administer our clients' accounts while others help us manage and grow our business. Schwab's support services are generally available on an unsolicited basis (we do not have to request them) and at no charge to us as long as we keep a total of at least \$10 million of our clients' assets in accounts at Schwab. If we have less than \$10 million in client assets at Schwab, it may charge us quarterly service fees of \$1,200. Therefore, we do have an incentive to custody your assets at Schwab. Following is a more detailed description of Schwab's support services:

#### Services that Benefit You

Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit you and your account.

#### Services that May Not Directly Benefit You

Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third-parties. We may use this research to service all or some substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements);
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- Provide pricing and other market data; or facilitate payment of our fees from our clients' accounts; and
- Assist with back-office functions, recordkeeping and client reporting.

### Services that Generally Benefit Only Us

Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include, but are not limited to:

- Educational conferences and events;
- Technology, compliance, legal, and business consulting;
- Publications and conferences on practice management and business succession;
- Access to employee benefits providers, human capital consultants and insurance providers.

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third-party's fees. Schwab may also provide us with other benefits such as occasional business entertainment of our personnel.

### **Our Interest in Schwab's Services**

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We do not have to pay for Schwab's services so long as we keep a total of at least \$10 million of client assets in accounts at Schwab. Beyond that, these services are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody.

The \$10 million minimum may give us an incentive to recommend that you maintain your account with Schwab based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. It is primarily supported by the scope, quality and price of Schwab's services (based on the factors discussed above - see "The Custodian and Broker We Use") and not Schwab's services that benefit only us. We do not believe that maintaining at least \$10 million of assets under management at Schwab in order to avoid paying Schwab quarterly service fees presents a material conflict of interest.

### **Brokerage for Client Referrals**

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

### **Directed Brokerage**

BCWA routinely requires that you direct our firm to execute transactions through Charles Schwab. As such, we may be unable to achieve the most favorable execution of your transactions and you may pay higher brokerage commissions than you might otherwise pay through another broker-dealer that offers the same types of services. Not all advisers require their clients to direct brokerage to a specific firm.

## Block Trades

We may combine multiple orders for shares of the same securities purchased for discretionary advisory accounts we manage (this practice is commonly referred to as "block trading"). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. Generally, participating accounts will pay a fixed transaction cost regardless of the number of shares transacted. In certain cases, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs on any given day. In the event an order is only partially filled, the shares will be allocated to participating accounts in a fair and equitable manner, typically in proportion to the size of each client's order. Accounts owned by our firm or persons associated with our firm may participate in block trading with your accounts; however, they will not be given preferential treatment.

BCWA does not block trade for non-discretionary accounts. Accordingly, non-discretionary accounts may pay different costs than discretionary accounts pay. If you enter into non-discretionary arrangements with our firm, we may not be able to buy and sell the same quantities of securities for you and you may pay higher commissions, fees, and/or transaction costs than clients who enter into discretionary arrangements with our firm.

## Item 13. Review of Accounts

Owner and CEO Stephen Perrone Sr. will monitor your accounts on an ongoing basis and will conduct account reviews at least annually, to ensure the advisory services provided to you are consistent with your investment needs and objectives.

Additional reviews may be conducted based on various circumstances, including, but not limited to:

- Contributions and withdrawals;
- Year-end tax planning;
- Market moving events;
- Security specific events; and/or
- changes in your risk/return objectives.

The individuals conducting reviews may vary from time to time, as personnel join or leave our firm.

We will not provide you with additional or regular written reports. You will receive trade confirmations and monthly or quarterly statements directly from your account custodian(s).

While reviews and updates to the financial plan are not part of the contracted services, at your request we will review your financial plan to determine if the investment advice provided is consistent with your investment needs and objectives. We will also update the financial plan at your request. At our sole discretion, reviews and updates may be subject to our then current hourly rate. If you implement the financial planning advice provided by our firm, you will receive trade confirmations and monthly or quarterly statements from relevant custodians.

## Item 14. Client Referrals and Other Compensation

As disclosed under the *Fees and Compensation* section in this brochure, some of the persons providing investment advice on behalf of our firm are registered representatives with Western International Securities, Inc. a securities broker-dealer, and a member of the Financial Industry

Regulatory Authority and the Securities Investor Protection Corporation. For information on the conflicts of interest this presents, and how we address these conflicts, refer to the *Fees and Compensation* section.

We do not receive any compensation from any third party in connection with providing investment advice to you nor do we compensate any individual or firm for client referrals.

Refer to the *Brokerage Practices* section above for disclosures on research and other benefits we may receive resulting from our relationship with your account custodian.

### **Charles Schwab & Co., Inc – Institutional**

In addition, BCWA does receive an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors whose clients maintain their 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, it is based upon the total assets undermanagement that BCWA hold at Schwab.

## **Item 15. Custody**

BCWA does not directly debit advisory fees from your account and we do not exercise custody over your funds or securities. Your funds and securities will be held with a bank, broker-dealer, or other qualified custodian. You will receive account statements directly from the qualified custodian(s) holding your funds and securities. If you have a question regarding your account statement or if you did not receive a statement from your custodian, contact your custodian directly.

## **Item 16. Investment Discretion**

Before we can buy or sell securities on your behalf, you must first sign our discretionary management agreement and the appropriate trading authorization forms.

If you enter into non-discretionary arrangements with our firm, we will obtain your approval prior to the execution of any transactions for your account(s). You have an unrestricted right to decline to implement any advice provided by our firm on a non-discretionary basis.

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

We will not vote proxies on behalf of your advisory accounts. At your request, we may offer you advice regarding corporate actions and the exercise of your proxy voting rights. If you own shares of applicable securities, you are responsible for exercising your right to vote as a shareholder.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward any electronic solicitations to vote proxies.

## **Item 18. Financial Information**

BWWA does not have any financial condition or impairment that would prevent us from meeting our

contractual commitments to you. We do not take physical custody of client funds or securities, or serve as trustee or signatory for client accounts, and, we do not require the prepayment of more than \$1,200 in fees six or more months in advance. Therefore, we are not required to include a financial statement with this brochure.

We have not filed a bankruptcy petition at any time in the past ten years.

## **Item 19. Additional Information**

### **Your Privacy**

BCWA views protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that we keep your personal information private and secure.

We do not disclose any non-public personal information about you to any non-affiliated third parties, except as permitted by law. In the course of servicing your account, we may share some information with our service providers, such as transfer agents, custodians, broker-dealers, accountants, consultants, and attorneys.

We restrict internal access to non-public personal information about you to employees, who need that information in order to provide products or services to you. We maintain physical and procedural safeguards that comply with regulatory standards to guard your non-public personal information and to ensure our integrity and confidentiality. We will not sell information about you or your accounts to anyone. We do not share your information unless it is required to process a transaction, at your request, or required by law.

You will receive a copy of our privacy notice prior to or at the time you sign an advisory agreement with our firm. Thereafter, we will deliver a copy of the current privacy policy notice to you on an annual basis. Contact our main office at the telephone number on the cover page of this brochure if you have any questions regarding this policy.

If you decide to close your account(s) we will adhere to our privacy policies, which may be amended from time to time.

If we make any substantive changes in our privacy policy that would further permit or require disclosures of your private information, we will provide written notice to you. Where the change is

based on permitted disclosures, you will be given an opportunity to direct us as to whether such disclosure is acceptable. Where the change is based on required disclosures, you will only receive written notice of the change. You may not opt out of the required disclosures.

If you have questions about our privacy policies contact our main office at the telephone number on the cover page of this brochure and ask to speak to the Chief Compliance Officer.

### **Trade Errors**

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account.



## **Class Action Lawsuits**

We do not determine if securities held by you are the subject of a class action lawsuit or whether you are eligible to participate in class action settlements or litigation nor do we initiate or participate in litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by you.

## **IRA Rollover Considerations**

As part of our investment advisory services to you, we may recommend that you withdraw the assets from your employer's retirement plan and roll the assets over to an individual retirement account ("IRA") that we will manage on your behalf. If you elect to roll the assets to an IRA that is subject to our management, we will charge you an asset-based fee as set forth in the agreement you executed with our firm. This practice presents a conflict of interest because persons providing investment advice on our behalf have an incentive to recommend a rollover to you for the purpose of generating fee-based compensation rather than solely based on your needs. You are under no obligation, contractually or otherwise, to complete the rollover. Moreover, if you do complete the rollover, you are under no obligation to have the assets in an IRA managed by our firm.

Many employers permit former employees to keep their retirement assets in their company plan. Also, current employees can sometimes move assets out of their company plan before they retire or change jobs. In determining whether to complete the rollover to an IRA, and to the extent the following options are available, you should consider the costs and benefits of:

- Leaving the funds in your employer's (former employer's) plan;
- Moving the funds to a new employer's retirement plan;
- Cashing out and taking a taxable distribution from the plan; and
- Rolling the funds into an IRA rollover account.

Each of these options has advantages and disadvantages and before making a change we encourage you to speak with your CPA and/or tax attorney.

If you are considering rolling over your retirement funds to an IRA for us to manage here are a few points to consider before you do so:

- Determine whether the investment options in your employer's retirement plan address your needs or whether you might want to consider other types of investments.
  - Employer retirement plans generally have a more limited investment menu than IRAs; and
  - Employer retirement plans may have unique investment options not available to the public such as employer securities, or previously closed funds.
- Your current plan may have lower fees than our fees.
  - If you are interested in investing only in mutual funds, you should understand the cost structure of the share classes available in your employer's retirement plan and how the costs of those share classes compare with those available in an IRA; and
  - You should understand the various products and services you might take advantage of at an IRA provider and the potential costs of those products and services.
- Our strategy may have higher risk than the option(s) provided to you in your plan.
- Your current plan may also offer financial advice.
- If you keep your assets titled in a 401k or retirement account, you could potentially delay your required minimum distribution beyond age 70.5.
- Your 401k may offer more liability protection than a rollover IRA; each state may vary.

Generally, federal law protects assets in qualified plans from creditors. Since 2005, IRA assets have been generally protected from creditors in bankruptcies. However, there can

be some exceptions to the general rules so you should consult with an attorney if you are concerned about protecting your retirement plan assets from creditors.

- You may be able to take out a loan on your 401k, but not from an IRA.
- IRA assets can be accessed any time; however, distributions are subject to ordinary income tax and may also be subject to a 10% early distribution penalty unless they qualify for an exception such as disability, higher education expenses or the purchase of a home.
- If you own company stock in your plan, you may be able to liquidate those shares at a lower capital gains tax rate.
- 10. Your plan may allow you to hire us as the manager and keep the assets titled in the plan name.

It is important that you understand the differences between these types of accounts and to decide whether a rollover is best for you. Prior to proceeding, if you have questions contact your investment adviser representative, or call our main number as listed on the cover page of this brochure.