

# **Prism Advisory Group, LLC**

SEC File Number: 801 – 70938

## **ADV Part 2A, Firm Brochure**

**Dated: March 28, 2019**

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This brochure provides information about the qualifications and business practices of Prism Advisory Group, LLC (the “Registrant”). If you have any questions about the contents of this brochure, please contact us at (215) 579-0966 or [Richard@prismadvisoryllc.com](mailto:Richard@prismadvisoryllc.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Prism Advisory Group, LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

References herein to Prism Advisory Group, LLC as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.

## **Item 2           Material Changes**

There have been no material changes to this Brochure since our previous Annual Amendment filing made on March 28, 2018.

**ANY QUESTIONS: Prism Advisory Group’s Chief Compliance Officer, Richard Simkus, remains available to address any questions that an existing or prospective client may have regarding this Brochure.**

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#### **Item 4            Advisory Business**

- A. Prism Advisory Group, LLC (the “Registrant”) is a limited liability company that was originally formed in November 2004 in the state of New Jersey and was domesticated in Pennsylvania in 2014. The Registrant registered as an investment adviser in December 2009. The Registrant is owned by Richard Simkus and Robert Savino. Richard Simkus is the Registrant’s Managing Member.

B.

#### **INVESTMENT ADVISORY SERVICES**

The Registrant provides discretionary and/or non-discretionary investment advisory services. Before Registrant provides investment advisory services, an investment adviser representative will ascertain each client’s investment objectives. Thereafter, the Registrant will allocate or recommend that the client allocate investment assets consistent with the client’s designated investment objectives. Once allocated, the Registrant provides ongoing monitoring and review of account performance and asset allocation as compared to a client’s investment objectives.

To the extent specifically requested by a client, Registrant’s investment advisory services include financial planning and consulting services. In the event that the client requires extraordinary planning or consultation services (to be determined in the sole discretion of the Registrant), the Registrant reserves the right to charge for these additional services, the dollar amount of which will be set forth in a separate written notice to a client.

The Registrant may recommend the services of other professionals for implementation of financial planning recommendations, including the Registrant’s representatives in their individual capacities as registered representatives of Frontier Solutions, LLC (“Frontier Solutions”) and as licensed insurance agents. *See* Item 10.C below. The client is under no obligation to engage the services of any recommended professional. The client retains absolute discretion over all implementation decisions and is free to accept or reject any recommendation from the Registrant. If the client engages any recommended professional, and a dispute arises relative to this engagement, the client agrees to seek recourse exclusively from and against the engaged professional. At all times, the engaged licensed professional[s] (i.e. attorney, accountant, insurance agent, etc.), and **not** the Registrant, shall be responsible for the quality and competency of the services provided.

Clients are responsible for promptly notifying the Registrant if there is ever any change in their financial situation or investment objectives so that the Registrant can review, and if necessary, revise its previous recommendations or services.

**Prism Model Portfolios (PMP)** The Registrant has developed model portfolios using ETFs and mutual funds to manage client accounts. The Registrant uses rebalancing software on the Fidelity WealthCentral system. Currently, the Registrant offers six model portfolios: Growth, Diversified Fixed Income, Hedged Equity, Low Correlated, Growth Equity, and Lower Volatility. These model portfolios incorporate the Registrant’s research ideas across accounts, and help the Registrant efficiently invest and rebalance accounts, when necessary. Before recommending one or more of its models to a client,

the Registrant and the client will determine the client's investment objective so that the client can choose the appropriate model.

### **MISCELLANEOUS**

**Financial Planning and Consulting (Stand-Alone):** The Registrant may provide financial planning or consulting services on investment and non-investment-related matters (e.g., estate planning and insurance planning). These services are offered on a stand-alone fee basis and the amount of the fee is based on the level and scope of the services required and the professionals rendering the services. Prior to engaging the Registrant to provide planning or consulting services, clients are generally required to enter into a *Financial Planning and Consulting Agreement* with Registrant setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to Registrant commencing services.

**Limitations of Financial Planning and Non-Investment Consulting/Implementation Services.** As indicated above, to the extent requested by a client, Registrant may provide financial planning and related consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Please Note: We do not serve as an attorney or accountant, and no portion of our services should be construed as legal or accounting services. Accordingly, we do not prepare estate planning documents or tax returns. To the extent requested by a client, we may recommend the services of other professionals for certain non-investment implementation purpose (i.e. attorneys, accountants, insurance, etc), including representatives of Registrant in their separate individual capacities as representatives of Frontier Solutions, a FINRA member broker-dealer, and/or as licensed insurance agents. The client is under no obligation to engage the services of any recommended professional. The client retains absolute discretion over all implementation decisions and is free to accept or reject any recommendation from Registrant or its representatives. If the client engages any recommended unaffiliated professional, and a dispute arises relative to the engagement, the client agrees to seek recourse exclusively from and against the engaged professional. At all times, the engaged licensed professional[s] (i.e. attorney, accountant, insurance agent, etc.), and **not** the Registrant, shall be responsible for the quality and competency of the services provided.

The recommendation by Registrant's representative that a client purchase a securities or insurance commission product through Registrant's representatives in their separate and individual capacities as a registered representatives of Frontier Solutions or as an insurance agent, presents a conflict of interest. The receipt of commissions provides an incentive to recommend investment or insurance products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any securities or insurance commission products through the Registrant's representatives. Clients are reminded that they may purchase securities and insurance products recommended by Registrant through other, non-affiliated broker-dealers and/or insurance agencies. **Registrant's Chief Compliance Officer, Richard Simkus remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

**Affiliated Private Funds.** The Registrant's affiliate, Prism Funds, LLC, an SEC registered investment adviser firm, also serves as the General Partner of Prism Jade Fund, LP and Prism Amber Fund, LP (the "affiliated private funds"). The Registrant, on a non-

discretionary basis, may recommend that qualified clients consider investing in an affiliated private fund. The terms and conditions for participation in the affiliated private funds, including management and incentive fees, conflicts of interest, and risk factors, are set forth in the fund's offering documents. Registrant's clients are under absolutely no obligation to consider or make an investment in a private investment fund.

Private investment funds involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency. A complete discussion of each fund's risk factors are set forth in each fund's offering documents, which will be provided to each client for review and consideration. Unlike liquid investments, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, where the client will be required to represent that they are qualified for investment in the fund, and that they understand the various risk factors that are associated with the investment.

Prism Funds, LLC receives an investment management fee and is eligible to receive incentive-based compensation with respect to its management of the affiliated private funds. While the investment management fee that Prism Funds, LLC receives from managing the affiliated private funds is less than the investment advisory fees that the Registrant charges to manage client accounts as referenced in Item 5 below, the presence of incentive-based compensation can result in Prism Funds, LLC earning more than the Registrant charges to manage client accounts. This creates a conflict of interest as the Registrant has an incentive to recommend that clients invest in the affiliated private funds if it believes that Prism Funds, LLC will be entitled to incentive-based compensation. Likewise, the Registrant has a disincentive to recommend the affiliated private funds if the Registrant believes that Prism Funds, LLC will not be able to earn incentive-based compensation. No client is under any obligation to become an investor in the affiliated private funds. **The Registrant's Chief Compliance Officer, Richard Simkus, remains available to address any questions regarding this conflict of interest.**

**Non-Discretionary Service Limitations.** Clients that determine to engage the Registrant on a non-discretionary investment advisory basis must be willing to accept that the Registrant cannot execute any account transactions without obtaining the client's consent. For instance, although the firm does not recommend market timing as an investment strategy, in the event of a market correction event where the firm cannot reach the client, a client may suffer investment losses or miss potential investment gains.

**Idle Assets.** At any time and for a substantial length of time, clients may hold a significant portion of their account in cash or cash equivalents. Investments in these assets may cause a client to miss out on upswings in the markets. Unless the Registrant expressly agrees otherwise in writing, account assets consisting of cash and cash equivalents are included in the value of an account's assets for purposes of calculation of the Registrant's advisory fee.

**Retirement Plan Rollovers:** A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences).

If the Registrant recommends that a client roll over their retirement plan assets into an account to be managed by the Registrant, this recommendation creates a conflict of interest if the Registrant will earn an advisory fee on the rolled over assets. **No client is under any obligation to roll over retirement plan assets to an account managed by Registrant. The Registrant's Chief Compliance Officer, Richard Simkus, remains available to address any questions that a client or prospective client may have regarding this conflict of interest.**

**MoneyGuidePro, eMoney Advisor Platform and Black Diamond.** Registrant may use MoneyGuidePro, eMoney or Black Diamond (collectively, "Aggregators") to aggregate client accounts. The Aggregators allow a client to view their complete asset allocation, including those assets that Registrant does not manage (the "Excluded Assets"). Registrant does not provide investment management, monitoring, or implementation services for the Excluded Assets. Therefore, Registrant shall not be responsible for the investment performance of the Excluded Assets. **Rather, the client or their other advisor that maintain management authority for the Excluded Assets, and not Registrant, shall be responsible for the investment performance of the Excluded Assets.** The client may choose to engage Registrant to manage some or all of the Excluded Assets pursuant to the terms and conditions of an *Investment Advisory Agreement* between Registrant and the client. The Aggregators also provide clients to change variables or input data to simulate various investment and retirement outcomes. However, these simulations should not be viewed as services, advice, or recommendations provided by Registrant.

**Use of Mutual Funds and ETFs.** While the Registrant may recommend allocating investment assets to mutual funds that are not publicly available, the Registrant may also recommend that clients allocate investment assets to publicly available mutual funds and ETFs that a client could obtain without engaging Registrant as an investment adviser. However, if a client or prospective client determines to allocate investment assets to publicly available mutual funds or ETFs without engaging Registrant as an investment adviser, the client or prospective client would not receive the benefit of Registrant's initial and ongoing investment advisory services.

**Client Obligations.** In performing its services, Registrant shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Clients are responsible for promptly notifying the Registrant if there is ever any change in their financial situation or investment objectives so that the Registrant can review, and if necessary, revise its previous recommendations or services.

**Disclosure Statement.** A copy of the Registrant's written Brochure as set forth on Part 2 of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the *Investment Advisory Agreement* or *Financial Planning and Consulting Agreement*.

- C. The Registrant shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objectives. Thereafter, the Registrant shall allocate or recommend that the client allocate investment assets consistent with the designated investment objective(s). A client may impose reasonable restrictions, in writing, on the Registrant's services.

- D. The Registrant does not participate in a wrap fee program.
- E. As of December 31, 2018 the Registrant had \$31,004,924 in assets under management on a discretionary basis and \$122,231,878 in assets under management on a non-discretionary basis.

## Item 5 Fees and Compensation

A.

### INVESTMENT ADVISORY SERVICES

The Registrant provides discretionary and/or non-discretionary investment advisory services on a *fee* basis. The Registrant's annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under the Registrant's management as follows:

<u>Market Value of Portfolio</u>	<u>Annual Fee</u>
Initial \$1 million	1.50%
All additional amounts	1.00%

The Registrant does not generally require an annual minimum fee or asset level for investment advisory services although it reserves the right to accept or reject any prospective client.

The Registrant's investment advisory fee is negotiable at its discretion, depending upon objective and subjective factors including but not limited to: the amount of assets to be managed; portfolio composition; the scope and complexity of the engagement; the anticipated number of meetings and servicing needs; related accounts; future earning capacity; anticipated future additional assets; the professional(s) rendering the service(s); prior relationships with the Registrant and/or its representatives, and negotiations with the client. As a result of these factors, similarly situated clients could pay different fees, the services to be provided by the Registrant to any particular client could be available from other advisers at lower fees, and certain clients may have fees different than those specifically set forth above.

- B. Clients may elect to have the Registrant's advisory fees deducted from their custodial account. Both Registrant's *Investment Advisory Agreement* and the custodial/clearing agreement authorize the custodian to debit the account for the Registrant's investment advisory fee and to remit that management fee to the Registrant in compliance with regulatory procedures. In the limited event that the Registrant bills the client directly, payment is due upon receipt of the Registrant's invoice. The Registrant shall deduct fees and/or bill clients quarterly in advance, based upon the market value of the assets on the last business day of the previous quarter.

As discussed below, unless the client directs otherwise or an individual client's circumstances require, the Registrant shall generally recommend that Fidelity Investments ("*Fidelity*") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Fidelity* charge brokerage commissions and/or transaction fees for executing certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual

equity transactions, and mark-ups and mark-downs are charged for fixed income transactions). In addition, client accounts may invest in open-end mutual funds (including money market funds) and ETFs that have various internal fees and expenses (i.e. management fees), which are paid by these funds but ultimately borne by clients as a fund shareholder. These internal fees and expenses are in addition to the fees charged by the Registrant.

- C. Registrant's annual investment advisory fee shall be prorated and paid quarterly, in advance, based upon the market value of the assets on the last business day of the previous quarter.

The *Investment Advisory Agreement* between the Registrant and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, the Registrant shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter.

- E. **Securities Commission Transactions.** In the event that the client desires, the client can engage Registrant's Principals, Richard Simkus and Robert Savino, in their individual capacities, as registered representatives of Frontier Solutions, a FINRA member broker-dealer, to implement investment recommendations on a commission basis. In the event the client chooses to purchase investment products through Frontier Solutions, Frontier Solutions will charge brokerage commissions to execute securities transactions, a portion of which commissions Frontier Solutions will pay to Registrant's representatives, as applicable. The brokerage commissions charged by Frontier Solutions may be higher or lower than those charged by other broker-dealers. If clients purchase mutual funds on a commission-basis in a brokerage account, Frontier Solutions, as well as Registrant's Representatives, will also receive Rule 12b-1 fees during the period that the client maintains the investment.

1. **Conflict of Interest:** The recommendation that a client purchase a commission product from Frontier Solutions presents a conflict of interest, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from Messrs. Simkus or Savino **The Registrant's Chief Compliance Officer, Richard Simkus, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**
2. Clients may purchase investment products recommended by Registrant through other, non-affiliated broker dealers or agents.
3. The Registrant does not receive more than 50% of its revenue from advisory clients as a result of commissions or other compensation for the sale of investment products the Registrant recommends to its clients.
4. When Registrant's representatives sell an investment product on a commission basis, the Registrant does not charge an advisory fee in addition to the commissions paid by the client. When providing services on an advisory fee basis, the Registrant's representatives do not also receive commission compensation for their advisory services.



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

Neither the Registrant nor any supervised person of the Registrant accepts performance-based fees. However, the Registrant's affiliate receives performance-based fees or allocations from the affiliated private funds. Each private fund's organizational and offering documents describe in detail any applicable performance-based fee or allocation arrangements.

A conflict of interest exists because the Registrant generally charges advisory clients an asset-based fee for the advisory services it provides, but our affiliates are entitled to receive performance-based fees or allocations from the affiliated private funds. As a result, we may have an incentive to recommend that an advisory client invest in an affiliated private fund, as opposed to holding assets only in separate accounts and allocating those assets to investments where the Registrant or its affiliates would not be entitled to receive performance-based fees or allocations. The Registrant and its affiliates also have an incentive to offer investments that they believe will be more profitable than others to the affiliated private funds in order to earn more compensation. Please see Item 12 (Brokerage Practices) for a discussion regarding how we attempt to mitigate this conflict. We seek to address these conflicts of interest by emphasizing our duty to place the interests of our clients first. In addition, the performance of the affiliated private funds does not directly drive the compensation structure of our representatives, although our representatives have an equity interest in the affiliated private funds and will derive benefits from performance-based fees or allocations received by our affiliates.

## **Item 7            Types of Clients**

The Registrant's clients shall generally include individuals, business entities, trusts, estates and charitable organizations.

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

A. The Registrant may use the following methods of security analysis:

- Charting - (analysis performed using patterns to identify current trends and trend reversals to forecast the direction of prices)
- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
- Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)

The Registrant may use the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)

**Investment Risk.** Investing in securities involves risk of loss that clients should be prepared to bear. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment

strategy (including the investments and/or investment strategies recommended or undertaken by the Registrant) will be profitable or equal any specific performance level(s).

- B. The Registrant's methods of analysis and investment strategies do not present any significant or unusual risks. However, every method of analysis has its own inherent risks. To perform an accurate market analysis the Registrant must have access to current/new market information. The Registrant has no control over the dissemination rate of market information; therefore, unbeknownst to the Registrant, certain analyses may be compiled with outdated market information, severely limiting the value of the Registrant's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

The Registrant's primary investment strategies - Long Term Purchases and Short Term Purchases - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy.

- C. Currently, the Registrant primarily allocates client investment assets among various individual equity (stocks), debt (bonds) and fixed income securities, private funds, including the affiliated private funds, independent managers and mutual funds, on a discretionary or non-discretionary basis in accordance with the client's designated investment objectives.

## **Item 9            Disciplinary Information**

The Registrant has not been the subject of any disciplinary actions.

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

- A. Certain of the Registrant's Principals are also registered representatives of a broker-dealer. See Item 5.E above for additional information about this relationship and the conflicts of interest this relationship creates.
- B. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. **Registered Representatives of a Broker Dealer.** As disclosed above in Item 5.E, Registrant's Principals, Richard Simkus and Robert Savino, are registered representatives of Frontier Solutions, a FINRA member broker-dealer. Clients can choose to engage Registrant's Principal and/or Representatives, in their individual capacities, to effect securities brokerage transactions on a commission basis.

**Conflict of Interest:** The recommendation by either Richard Simkus or Robert Savino that a client purchase a securities commission product presents a conflict of interest, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from Richard Simkus or Robert Savino. Clients are reminded that they may purchase securities products recommended by the Registrant through other, non-affiliated registered representatives of a broker-dealer. **The Registrant's Chief Compliance Officer, Richard Simkus, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

**Other Investment Adviser.** The Registrant and the Registrant's Managing Member, Richard Simkus, owns Prism Funds, LLC ("Prism Funds"), an affiliated SEC registered investment adviser. Prism Funds is the General Partner of the affiliated private funds, discussed above, and generally limits its investment advisory services to servicing the two affiliated private funds. The Registrant may refer certain clients to the affiliated private funds. No client is under any obligation to engage the services of Prism Funds or make an investment in the affiliated private funds. See Items 4 and 6 above for additional information on the conflicts of interest associated with Prism Funds and investments in the affiliated private funds **The Registrant's Chief Compliance Officer, Richard Simkus, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

**Licensed Insurance Agents.** The Registrant's Principals, Richard Simkus and Robert Savino, in their individual capacities, are licensed insurance agents, and may recommend the purchase of certain insurance-related products on a commission basis. See Item 4.B above for additional information on the conflicts of interest associated with these activities.

- D. The Registrant does not receive, directly or indirectly, compensation from investment advisers that it recommends or selects for its clients, except for recommendations of Prism Funds and the affiliated private funds, discussed above.

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

- A. The Registrant maintains an investment policy relative to personal securities transactions. This investment policy is part of Registrant's overall Code of Ethics, which serves to establish a standard of business conduct for all of Registrant's Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, the Registrant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Registrant or any person associated with the Registrant.

- B. As disclosed above, the Registrant has a financial interest in the affiliated private funds. The Registrant, on a non-discretionary basis, may recommend that qualified clients consider allocating a portion of their investment assets to the affiliated private funds. The terms and conditions for participation in the affiliated private funds, including

management and incentive fees, conflicts of interest, and risk factors, are set forth in the fund's offering documents. Registrant's clients are under absolutely no obligation to consider or make an investment in a private investment fund(s). The Registrant's Chief Compliance Officer, Richard Simkus, remains available to address any questions that a client or prospective client may have regarding the above arrangement and the conflict of interest the arrangement creates.

- C. The Registrant and/or representatives of the Registrant may buy or sell securities that are also recommended to clients. This practice may create a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if the Registrant did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of the Registrant's clients) and other potentially abusive practices.

The Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Registrant's "Access Persons". The Registrant's securities transaction policy requires that an Access Person of the Registrant must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date the Registrant selects.

- D. The Registrant and/or representatives of the Registrant may buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a conflict of interest. As indicated above in Item 11.C, the Registrant has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Registrant's Access Persons.

## **Item 12 Brokerage Practices**

- A. In the event that the client requests that the Registrant recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct the Registrant to use a specific broker-dealer/custodian), Registrant generally recommends that investment management accounts be maintained at Fidelity. Prior to engaging Registrant to provide investment management services, the client will be required to enter into a formal Investment Advisory Agreement with Registrant setting forth the terms and conditions under which Registrant shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that the Registrant considers in recommending Fidelity (or any other broker-dealer/custodian to clients) include historical relationship with the Registrant, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Registrant's clients shall comply with the

Registrant's duty to seek best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to execute the same transaction where the Registrant determines, in good faith, that the commission/transaction fee is reasonable. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Registrant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Registrant's investment management fee. The Registrant's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

1. Research and Additional Benefits

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Registrant receives from Fidelity (or another broker-dealer/custodian, investment platform, unaffiliated investment manager, vendor and/or mutual fund sponsor) without cost (and/or at a discount) support services and/or products, certain of which assist the Registrant to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by the Registrant may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Registrant in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that may be received may assist the Registrant in managing and administering client accounts. Others do not directly provide such assistance, but rather assist the Registrant to manage and further develop its business enterprise.

There is no corresponding commitment made by the Registrant to Fidelity or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as result of the above arrangement.

**The Registrant's Chief Compliance Officer, Richard Simkus, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding conflict of interest such arrangement may create.**

2. The Registrant does not receive referrals from broker-dealers.
3. The Registrant does not generally accept directed brokerage arrangements (when a client requires that account transactions be executed through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Registrant will not seek

better execution services or prices from other broker-dealers or be able to “batch” the client’s transactions for execution through other broker-dealers with orders for other accounts managed by Registrant. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

**Please Note:** In the event that the client directs Registrant to execute securities transactions for the client’s accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to execute account transactions through alternative clearing arrangements that may be available through Registrant. Higher transaction costs adversely impact account performance. **Please Also Note:** Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

**The Registrant’s Chief Compliance Officer, Richard Simkus, remains available to address any questions that a client or prospective client may have regarding the above arrangement.**

- B. To the extent that the Registrant provides investment management services to its clients, the transactions for each client account generally will be executed independently, unless the Registrant decides to purchase or sell the same securities for several clients at approximately the same time. The Registrant may (but is not obligated to) combine or “bunch” such orders to seek best execution, to negotiate more favorable commission rates or to allocate equitably among the Registrant’s clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. The Registrant shall not receive any additional compensation or remuneration as a result of such aggregation.

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

- A. For those clients to whom Registrant provides investment supervisory services, account reviews are conducted on an ongoing basis by the Registrant’s Principals and/or representatives. All investment supervisory clients are advised that it remains their responsibility to advise the Registrant of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with the Registrant on an annual basis.
- B. The Registrant *may* conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance.

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

- A. As referenced in Item 12.A.1 above, the Registrant receives an indirect economic benefit from Fidelity. The Registrant, without cost (and/or at a discount), may receive support services and/or products from Fidelity.

There is no corresponding commitment made by the Registrant to Fidelity or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as result of the above arrangement.

**The Registrant's Chief Compliance Officer, Richard Simkus, remains available to address any questions that a client or prospective client may have regarding the above arrangement and the conflict of interest this arrangement creates.**

- B. Neither the Registrant, nor its representatives, compensate, directly or indirectly, any non-supervised person for client referrals.

#### **Item 15            Custody**

The Registrant shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance.

To the extent that the Registrant provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by the Registrant with the account statements received from the account custodian. The account custodian does not verify the accuracy of the Registrant's advisory fee calculation.

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

The client can determine to engage the Registrant to provide investment advisory services on a discretionary basis. Prior to the Registrant assuming discretionary authority over a client's account, client shall be required to execute Investment Advisory Agreement, naming the Registrant as client's attorney and agent in fact, granting the Registrant full authority to buy, sell, or otherwise execute investment transactions involving the assets in the client's name for found in the discretionary account.

Clients who engage the Registrant on a discretionary basis may, at any time, impose restrictions, in writing, on the Registrant's discretionary authority. (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe the Registrant's use of margin, etc.).

## **Item 17          Voting Client Securities**

- A. The Registrant does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.

The Registrant will not be responsible and each client has the right and responsibility to take any actions with respect to any legal proceedings, including without limitation, bankruptcies and shareholder litigation, and the right to initiate or pursue any legal proceedings, including without limitation, shareholder litigation, including with respect to transactions, securities or other investments held in the client's account or the issuers thereof.

- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact the Registrant to discuss any questions they may have with a particular solicitation.

## **Item 18          Financial Information**

- A. The Registrant does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. The Registrant does not accept discretionary authority to manage client assets. However, the Registrant is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its non-discretionary authority over client accounts.
- C. The Registrant has not been the subject of a bankruptcy petition.

**ANY QUESTIONS: The Registrant's Chief Compliance Officer, Richard Simkus, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**