

## **Blank Equity Management LLC**

FORM ADV - PART 2A APPENDIX 1 INFORMATION

**February 11, 2019**

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**This Wrap Fee Program Brochure provides information about the qualifications and business practices of Blank Equity Management LLC ("BEM"). If you have any questions about the contents of this Brochure, please contact us at (516) 439-5525. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.**

**Additional information about BEM (CRD NO. 153570), including a copy of its Form ADV Part 1, is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **Item 2 Summary of Material Changes**

There have been no Material Changes made to this Wrap Fee Brochure since the last Annual Update filed March 12, 2018.

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## Item 4 Services, Fees, and Compensation

Blank Equity Management LLC ("BEM") is an investment adviser which began its business in October 2010. BEM makes consulting, including financial planning, and investment management "wrap fee" and "non-wrap fee" services available to a wide variety of clients. BEM is wholly-owned by Matthew J. Blank. BEM does not control any other firm. The "wrap fee" management services of BEM are described in detail below. Another brochure, available upon request, describes consulting, including financial planning and "non-wrap fee" management services.

As of December 31, 2019, BEM had assets of \$47,734,186 under discretionary management and none under non-discretionary management.

### A. Investment Management Services

BEM provides clients with wrap fee portfolio management and reporting services by means of its Investment Management Services program. Through the program, clients receive investment analysis, allocation recommendations, monthly or quarterly statements reflecting holdings and transactions, quarterly statements, and ongoing account monitoring services for a portfolio which may include stocks, bonds, mutual funds, exchange-traded funds, private placements, and convertible securities. BEM will exercise discretionary trading authority while providing services. This means that BEM Representatives will have authority to purchase and sell securities of their choice in the amounts and at the times they believe it is suitable for a client's account to do so. BEM may also recommend the use of third-party investment managers to manage all, or a portion of the assets. Such managers will also have limited discretionary trading authority. Clients are free to impose reasonable restrictions on the types of investments in their account.

The initial asset allocation recommendations are based on the financial information gathered from each client including net worth, risk tolerance, financial goals and objectives, investment restrictions and overall financial conditions. Based on this information, the client is provided with investment recommendations designed to provide an appropriate asset mix consistent with the client's objectives. The client's portfolio and its performance are monitored by the client's Representative in light of the client's stated goals and objectives. The frequency of these reviews is determined by the Representative. BEM Representatives meet with the client on an as needed basis to discuss the portfolio and other aspects of the service.

As a general rule, BEM believes that investing is best suited to those who believe in a long-term buy-and-hold policy. Therefore, clients should not expect frequent investment changes in the portfolio. However, as a result of monitoring the account, investment purchases and sales will be made.

Investments are not held by BEM. Instead, all investments managed by BEM are usually held at the brokerage firm ("Custodian") through which transactions are placed. BEM usually requires the custodial and transaction services of TD AMERITRADE Institutional, a division of TD AMERITRADE, Inc., member FINRA/SIPC ("TD AMERITRADE").

To the extent a client receives any account or other investment ownership statement from BEM, BEM recommends the client carefully compare the report to the custodian's statements.

As indicated above, when providing Investment Management Services, BEM Representatives will exercise discretion when granted authority by clients and most clients grant discretionary authority to BEM. When doing so, it allows BEM to select the securities to buy and sell, the amount to buy and sell, when to buy and sell, and the commission rate paid, without obtaining specific consent from the

client for each trade. Clients should be aware that BEM Representatives may make different recommendations and effect different trades with respect to the same securities and insurance to different advisory clients.

Commissions and executions of certain securities transactions not covered by the wrap service fee, and transaction executions within the wrap program, implemented through the Custodian may not be better than the commissions or executions available if the client used another brokerage firm. However, BEM believes that the overall level of services and support provided to the client by custodians and broker-dealers for any trades not covered by the wrap fee outweighs the potentially lower costs that may be available from other brokerage service providers.

When exercising discretion, BEM may combine orders for more than one client's account to form a "block" order for the purpose of seeking a better price and or execution. When a block order is executed, the broker/dealer executing the order typically allocates an average execution price to all shares in the block order, which BEM then allocates to each customer's account position on a pro rata basis. Should a block order only be partially filled, available shares are distributed in a manner fair to all accounts.

If a client directs BEM to effect transactions through a particular broker/dealer BEM will do so. However, such an instruction may have implications to the client which may include incurring transaction costs that may be higher or lower than if the instruction had not been given. Also, restricting BEM to particular broker/dealers may limit BEM's ability to include a client account order within block orders to obtain the best price or execution. For these reasons, TD AMERITRADE Institutional is the firm customarily required to be used for BEM's Investment Management Service wrap program.

In these instances where an order error occurs by BEM, it is BEM's policy to make the client's account whole.

BEM does not process transactions through TD AMERITRADE Institutional in return for referring new clients to BEM.

#### *Investment Management Services Wrap Fees*

Fees payable for Investment Management Services are calculated as percentage of the total value of investments under management as set forth below. In addition to this advisory fee, there may be administrative and servicing fees.

<b><u>Market Value of Account</u></b>	<b><u>Annual Rate</u></b>
\$0 - \$1,000,000	1.25%
Over \$1,000,000	1.00%

Fees are negotiable. All fees due are set forth in each client's services agreement. Negotiated fees may differ from client-to-client based upon a number of factors, including, but not limited to, the type and size of the Account, the historical and/or expected size or number of trades for the Account, and the number and range of supplemental advisory and client related services to be provided to the client.

The asset-based fee above includes all fees and charges for services, as applicable, of BEM, third-party managers and certain brokerage commissions. The fee does not include the following: (a) charges for services provided by BEM, its affiliates or third parties outside the scope of this Agreement (e.g. retirement plan administration fees, trustee fees, wire transfer fees, account fees and charges incidental to brokerage and custodial services, etc.); (b) any taxes for fees imposed by exchanges or

regulatory bodies; (c) mark-ups and mark downs charged on principal trades; (d) sales loads and internal operating expenses on mutual funds, exchange traded funds and variable insurance contracts; (e) commissions on transactions occurring after notice of Agreement termination is given; and (f) commissions on transactions ordered by a client. Each of these additional charges may be separately charged to the Client's Account or reflected in the price paid or received for a given security. When a third-party manager is engaged they will receive a portion of the fee paid to BEM, that portion will be negotiated with the third-party manager but will not affect the fee paid by client to BEM under the Investment Management Services Agreement.

Advisory fees are payable quarterly in advance and are calculated on the basis of the market value of the investments in the account including any balances held in money market funds. The initial fee is based on the value of the assets in the account as of the effective date of the agreement. For any partial calendar quarter the management fee is pro-rated based on the number of days the account was open during the quarter. The fee applicable to assets deposited into an account which exceed \$20,000 are pro rated from the date of the deposit. There is no adjustment to the fee when assets are withdrawn.

With prior client permission, fees payable to BEM are deducted from the client's account when due. BEM will liquidate money market shares to pay the fee and, if money market shares or cash value are not available, other investments will be liquidated. Authorization for the automatic deduction of fees from the account is contained in the services agreement. The client's periodic portfolio statements from the custodian disclose all amounts disbursed from the account, including advisory and service fees paid. The client may terminate the authorization for automatic deduction of advisory fees payable to BEM at any time by notifying BEM in writing. BEM has the right to amend its fee after providing the client with a 30-day advance written notice.

Investment Management Services agreement may be terminated at will upon thirty (30) days advance written notice by either party to the other. Any prepaid unearned fee will be refunded to the client.

#### B. Costs

BEM's "wrap" fees shown above may be more or less than that charged by BEM to another client for similar services, and by other advisers for similar services. Also, BEM's "wrap" fee, i.e., the fee covering both advisory services and certain transaction commissions, may be more or less than two fees charged separately for management and transaction brokerage services. The factors that bear upon the cost of services are the size of the account, number of transactions, strategies employed, type of securities within an account, and whether trades are placed through a brokerage firm other than the custodian resulting in per trade commissions being charged to the account.

BEM does not charge a performance-based fee for this investment management service.

#### C. Internal Fees of Funds and Other Excluded Costs

In the event that exchange-traded funds or mutual funds are part of a client's portfolio, the mutual funds charge additional and separate internal management fees as described in the fund's prospectus. Thus, when these funds are in a client's account, two advisory fees are imposed: one internally by the fund, the other by BEM.

Not all transaction-related expenses are covered by the "wrap" fee schedule shown above. Mark-ups and mark-downs, spreads by market-makers, certain account charges by the Custodian, commissions and costs for transactions not placed through BEM's recommended Custodian, commissions on transactions occurring after termination of BEM's services agreement, and client-ordered transaction commissions are not covered. See the "Fees" section above.

#### D. Wrap Fee Incentives

Because BEM absorbs transaction costs, its Representatives giving advice have a recommended financial incentive not to place transaction orders frequently since doing so increases the transaction costs to BEM and thereby reducing its revenue which the BEM Representative shares. Thus, an incentive exists in a wrap services program to place trades less frequently. Also, because fees are asset-based, there is an incentive for the BEM Representative to recommend that a client not reduce positions since doing so will reduce the fee to the BEM Representative. Also, BEM Representatives may receive more compensation in this program over others which require separate payment for advice, brokerage and other services, thus this financial incentive may also create a conflict of interest.

### **Item 5 Account Requirements and Types of Clients**

Although BEM does not generally have any conditions for providing its services, BEM Representatives may negotiate a base fee for the wrap services described in this brochure.

We offer investment advisory services to individuals, including high net worth individuals, pension and profit sharing plans and corporations or other businesses.

### **Item 6 Portfolio Manager Selection and Evaluation**

#### A. Third-Party Managers

When securing the services of third party portfolio managers, BEM will generally recommend and use the services of managers it has researched and is familiar with. Third party portfolio manager performance, like that of investment performance, is reviewed periodically by BEM and discussed with the client. In most cases, recommendations to replace a third party portfolio manager are not made based upon short-term performance. When a third party portfolio manager is replaced, BEM will attempt to notify the client orally or in writing to obtain the client's consent for the change. However, BEM is granted authority to change managers even if a client's consent is not obtained. When a third party portfolio manager is selected, clients will receive that firm's Form ADV, Part 2A brochure for review. Clients are encouraged to carefully review the information in the brochure upon receipt.

#### B. Related Managers

BEM Representatives act as portfolio managers. Because of their portfolio manager role, the incentives described in "Wrap Fee Incentives" above apply. Also, BEM Representatives providing management services may not have extensive experience in portfolio management, thus may not have a history of performance to match against other individuals and management firms. Thus, the Representatives providing advice are not subject to the same selection and review process that would occur if third-party managers were being evaluated. However, only seasoned Representatives having sufficient securities knowledge, and customer advisory experience are allowed to provide management services in the Investment Management Services program.

## C. Business Information

Advisory Business. See Item 4.A.

Performance Based Fees and Side-by-Side Management. BEM does not charge a performance-based fee for its Investment Management program. All "wrap" program fees are disclosed above.

Methods of Analysis, Investment Strategies and Risk of Loss. BEM's main sources of information include, but are not limited to, financial newspapers and magazines, research materials prepared by others, corporate rating services, annual reports, prospectuses, public filings and company press releases. BEM's security analysis methods include, but are not limited to, charting (using charts to track individual security or market movements over time); fundamental analysis (evaluating securities based upon its historical and projected financial performance); technical analysis (examining technical moves in the price of an issue based upon peer securities or comparisons to an investment sector or index); and cyclical analysis (determining the desirability of an issue based upon the status of an issue within the price cycle the security or similar securities have followed historically).

All securities analysis methods and strategies, including those used by BEM may involve a high degree of risk and losses can occur.

Neither BEM, nor the third party managers it may secure, guarantee the results of the advice given. Thus, significant losses can occur by investing in any security, or by following any strategy, including those recommended or applied by BEM.

BEM may recommend exchange-traded funds ("ETF"). ETF shares are bought and sold at market price unlike mutual funds. ETFs are subject to risks similar to those of stocks.

Voting Proxies on Client Securities. BEM and its Representatives do not vote proxies on behalf of clients who will receive such notices from their account's custodian.

BEM also does not take any action on legal notices it or a client may receive from issuers of securities held in a client's managed account. However, it is available to answer questions regarding such notices.

## **Item 7 Client Information Provided to Portfolio Managers**

Prior to account opening all new clients are asked for background information and are asked for complete an investment policy statement.

In order to provide the Program services, we will share your private information with your account custodian TD Ameritrade. We may also provide your private information to mutual fund companies and/or private managers as needed. We will only share the information necessary in order to carry out our obligations to you in servicing your account. We share your personal account data in accordance with our privacy policy as described below.

### **Privacy Notice**

We view 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 nonpublic personal information about you to any nonaffiliated 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 nonpublic 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 nonpublic 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.

## **Item 8 Client Contact with Portfolio Managers**

Clients are free to contact their BEM or third party portfolio manager at any time.

## **Item 9 Additional Information**

### Disciplinary Information

BEM does not have any disciplinary information to report regarding itself or any of its counselors or other related persons other than the following.

### Other Financial Industry Activities and Affiliations.

The primary business activity of BEM and its staff is providing investment management services to individual clients, there are no other Financial Industry Activities or Affiliations to be reported under this Item.

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

Representatives of BEM may buy or sell securities for themselves that they also recommend to clients. Where a transaction for a Representative, or an account related to the Representative, is contemplated, a client's transaction is given priority. BEM has developed a Code of Ethics applicable to all persons who have access to confidential client records or to recommendations being made for

client accounts. Designed to prevent conflicts of interest between the financial interests of clients and the interests of the firm's staff, the Code requires, among other procedures, such "access persons to obtain preapproved of certain securities transactions, to report transactions quarterly and to report all securities positions in which they have a beneficial interest at least annually. These reporting requirements allow supervisors at the firm to determine whether to allow or prohibit certain employee securities purchases and sales based on transactions made, or anticipated to be made, in the same securities for client's accounts. The Code also establishes certain bookkeeping requirements relating to federal reporting rules. The Code is required to be reviewed annually and updated as necessary. A complete copy of the firm's Code is available upon request.

*Review of Accounts and Reports.* Reviews of financial plans are performed from time to time by a BEM Representative as requested by a client and as the Representative deems appropriate. More than one Representative may be involved in the development of a plan and, with the client's permission, the client's legal and accounting professionals may be involved. When outside professionals become involved in the planning process, the cost of the outside professionals is the responsibility of the client. Currently Matthew Blank is reviewing all consulting services projects. For Investment Management Services the client's portfolio is regularly reviewed by a BEM Representative as frequently agreed upon by the client and the Representative, or more frequently if the Representative determines, to ensure the investments in the account are in line with the client's stated investment policy guidelines. Currently Matthew Blank is reviewing all investment management accounts.

For clients receiving Consulting Services, a written project report or comprehensive financial plan is prepared in the scope requested by the client during the initial interview and subsequent counseling sessions. Clients receiving Investment Management Services receive reports at least quarterly from their account's custodian. The client may receive a written performance report as often as is agreed upon between the client and the advisor, but not more often than quarterly. Clients are encouraged to compare the information on any account statement received from BEM to that shown on custodial statements.

*Client Referrals and Other Compensation.* BEM does not currently have any client referral relationships. Thus, it does not pay any fee to a third party for making client referrals to it. Also, as indicated above, the firm does not direct brokerage transactions to any third party, including TD AMERITRADE Institutional in return for client referrals.

BEM participates in the institutional advisor program (the "Program") offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. BEM may recommend TD Ameritrade to clients for custodial and brokerage services. There is no direct link between BEM's participation in the program and the investment advice given to BEM clients, although we receive economic benefits through our participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving adviser participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to our firm by third party vendors. TD Ameritrade may also have paid for

business consulting and professional services received by our Associated Persons. Some of the products and services made available by TD Ameritrade through the program may benefit BEM but may not benefit BEM Client accounts. These products or services may assist BEM in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help BEM manage and further develop BEM's business enterprise. The benefits received by BEM or our Associated Persons through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of BEM's fiduciary duties to its clients, BEM endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by BEM or its Associated Persons in and of themselves creates a potential conflict of interest and may indirectly influence BEM's choice of TD Ameritrade for custody and brokerage services.

Other than the services described above, BEM and its Representatives do not direct transactions and the commissions they generate (soft dollars) to brokerage firms or other parties to receive research or other benefits.

*Financial Information.* BEM does not receive fees of more than \$500 six months or more in advance, thus no financial statement for BEM is attached. BEM does not have any financial condition that is reasonably likely to impair its ability to meet its contracted commitment to any client.

## **Item 10 Requirements for State-Registered Advisers**

We are a federally registered investment adviser; therefore, we are not required to respond to this item.