

# HIGHMARK WEALTH MANAGEMENT LLC

## **ADV Part 2A, Firm Brochure Dated: March 29, 2019**

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This brochure provides information about the qualifications and business practices of HighMark Wealth Management LLC. If you have any questions about the contents of this brochure, please contact us at (651)-829-3300 or [todd@highmarkwealth.com](mailto:todd@highmarkwealth.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 HighMark Wealth Management LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

References herein to HighMark Wealth Management 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 made to HighMark Wealth Management LLC's (the "Registrant") disclosure statement since last year's Annual Amendment filing on March 28, 2018. Although not material, this disclosure statement has been revised as follows:

- At Item 4 to revise disclosure language related to financial planning limitations, the eMoney platform, and retirement plan rollovers;
- At Item 4 to remove inapplicable disclosure language related to retirement clients;
- At Item 4 to add disclosure language related to cash positions; ,
- At Item 5 to revise fee ranges applicable to Financial Planning and Retirement Plan Consulting services; and,
- At Item 14 to discuss solicitor referral arrangements

**ANY QUESTIONS:** The registrant's Chief Compliance Officer, Todd Arens remains available to address any questions regarding the above or any other issue pertaining to this Brochure.

## **Item 3           Table of Contents**

Item 1	Cover Page.....	1
Item 2	Material Changes.....	2
Item 3	Table of Contents.....	2
Item 4	Advisory Business .....	3
Item 5	Fees and Compensation .....	8
Item 6	Performance-Based Fees and Side-by-Side Management .....	10
Item 7	Types of Clients.....	10
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss.....	11
Item 9	Disciplinary Information .....	12
Item 10	Other Financial Industry Activities and Affiliations .....	12
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	12
Item 12	Brokerage Practices .....	13
Item 13	Review of Accounts.....	15
Item 14	Client Referrals and Other Compensation.....	16
Item 15	Custody.....	16
Item 16	Investment Discretion.....	16
Item 17	Voting Client Securities.....	17
Item 18	Financial Information .....	17

## Item 4            Advisory Business

- A. HighMark Wealth Management LLC (the “Registrant”) is a limited liability company formed in July of 2012 in the State of Minnesota. The Registrant became a Securities and Exchange Commission registered Investment Adviser Firm in July 2012. The Registrant is primarily owned by Todd Arens. Patrick Sullivan is a minority owner of the Registrant.
- B. As discussed below, the Registrant offers to its clients (individuals, high net worth individuals, and retirement plans) investment advisory services on a discretionary or non-discretionary basis and, to the extent specifically requested by a client, financial planning and related consulting services.

### INVESTMENT ADVISORY SERVICES

The client can determine to engage the Registrant to provide discretionary or non-discretionary investment advisory services on a wrap-fee basis (except in limited circumstances for retirement plan advisory consulting services-engagements for which the Registrant does not maintain trading authority-*See below*). 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 (between 0.50% and 1.50%) in accordance with the fee schedule set forth at Item 5 below, a copy of which is also attached to the *Investment Advisory Agreement* between the Registrant and the client.

Registrant's annual investment advisory fee shall include investment advisory services, and, to the extent specifically requested by the client, financial planning and consulting services. In the event that the client requires extraordinary planning and/or consultation services (to be determined in the sole discretion of the Registrant), the Registrant may determine to charge for such additional services, the dollar amount of which shall be set forth in a separate written notice to the client. **Please Note:** The Registrant **does not** serve as an attorney or accountant, and no portion of our financial planning or consulting services should be construed as legal or accounting services. Accordingly, we **do not** prepare estate planning documents or tax returns.

### HIGHMARK WEALTH MANAGEMENT WRAP PROGRAM

The Registrant provides investment management services on a wrap fee basis in accordance with the Registrant’s investment management wrap fee program (the “Program”) (except in limited circumstances for retirement plan advisory consulting services-engagements for which the Registrant does not maintain trading authority - *See below*). The services offered under, and the corresponding terms and conditions pertaining to, the Program are discussed in the Wrap Fee Program Brochure a copy of which is presented to all prospective Program participants. Under the Program, the Registrant is able to offer participants discretionary or non-discretionary investment management services, for a single specified annual Program fee, inclusive of trade execution (excluding mark-ups and mark-downs), custody, reporting, and investment management fees (excluding *Independent Manager* fees-*see below*). The terms and conditions for client participation in the Program are set forth in detail in the Wrap Fee Program Brochure, which is presented to all prospective Program participants in accordance with the disclosure requirements of Part 2A Appendix 1 of Form ADV. All prospective Program participants should read both the Registrant’s Brochure and the Wrap Fee Program Brochure, and ask any corresponding questions that they may have, prior to participation in the Program.

Fidelity serves as the custodians for Program accounts (*see* disclosure at Item 12 below).

**Wrap Program-Conflict of Interest.** Registrant provides services on a wrap fee basis as a wrap program sponsor. Under Registrant's wrap program, the client generally receives investment advisory services, the execution of securities brokerage transactions, custody and reporting services for a single specified fee. Participation in a wrap program may cost the client **more** or less than purchasing such services separately. The terms and conditions of a wrap program engagement are more fully discussed in Registrant's Wrap Fee Program Brochure. **Conflict of Interest:** Because wrap program transaction fees and/or commissions are being paid by Registrant to the account custodian/broker-dealer, Registrant could have an economic incentive to minimize the number of trades in the client's account. *See* separate Wrap Fee Program Brochure. **ANY QUESTIONS:** Registrant's Chief Compliance Officer, Todd Arens, remains available to address any questions that a client or prospective client may have regarding a wrap fee arrangement and the corresponding conflict of interest a wrap fee arrangement may create.

#### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

To the extent specifically requested by a client, the Registrant *may* determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone fee basis. **Please Note:** The Registrant **does 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. 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. If requested by the client, Registrant may recommend the services of other professionals for implementation purposes, including the services of the Registrant's representatives, in their individual capacities, as licensed insurance agents or as registered representatives of Purshe Kaplan Sterling Investments ("PKS"). (*See* disclosure below at Item 5 and 10C, including corresponding **conflict of interest**). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant. Moreover, it remains the client's responsibility to promptly notify the Registrant if there is ever any change in the client's financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services. **Please Note:** If the client engages any professional, recommended or otherwise, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from the engaged professional. At all times, the engaged licensed professional(s), and not Registrant, shall be responsible for the quality and competency of the services provided.

#### **RETIREMENT PLAN CONSULTING**

The Registrant also provides retirement plan advisory services, pursuant to which it assists sponsors of self-directed retirement plans with the selection and/or monitoring of investment alternatives (generally open-end mutual funds and ETFs) from which plan participants shall choose in self-directing the investments for their individual plan retirement accounts. In addition, to the extent requested by the plan sponsor, the Registrant shall also provide participant education designed to assist participants in identifying the appropriate investment strategy for their retirement plan accounts. The terms and conditions of the engagement, including the fee arrangement per the fee schedule set forth

at Item 5 below, shall generally be set forth in a *Retirement Plan Services Agreement* between the Registrant and the plan sponsor. **Please Note:** The Registrant does not manage, nor maintain trading authority for, plan assets. The plan (and/or its participants) pay an advisory fee to the Registrant. To the extent that the account custodian imposes transaction fees for plan transactions, the transaction fees shall be assessed against the participant's account.

## MISCELLANEOUS

**Non-Investment Consulting/Implementation Services.** If specifically requested by the client, the Registrant may provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Neither the Registrant, nor any of its representatives, serves as an attorney or accountant, and no portion of the Registrant's services should be construed as same. Accordingly, we **do not** prepare estate planning documents or tax returns. To the extent requested by a client, the Registrant may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.), including representatives of the Registrant in their separate registered and/or licensed capacities as discussed below at Items 5 and 10, including corresponding *conflict of interest*. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant. **Please Note:** If the client engages any professional, recommended or otherwise, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from the engaged professional. At all times, the engaged licensed professional(s), and not Registrant, shall be responsible for the quality and competency of the services provided. **Please Also Note:** It remains the client's responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

**Non-Discretionary Service Limitations.** Clients that determine to engage Registrant on a non-discretionary investment advisory basis must be willing to accept that Registrant cannot effect any account transactions without obtaining prior consent to such transaction(s) from the client. Thus, in the event that Registrant would like to make a transaction for a client's account (including in the event of an individual holding or general market correction), and the client is unavailable, the Registrant will be unable to effect the account transaction(s) (as it would for its discretionary clients) without first obtaining the client's consent.

**Independent Managers.** In the past, the Registrant allocated (and/or recommend that the client allocate) a portion of a client's investment assets among unaffiliated independent investment managers in accordance with the client's designated investment objective(s). The *Independent Manager[s]* maintain day-to-day responsibility for the active discretionary management of the allocated assets. The Registrant continues to render investment advisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. Factors that the Registrant considered in recommending *Independent Manager[s]* included the client's designated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research. **Please Note:** The investment management fee

charged by the *Independent Manager[s]* is separate from, and in addition to, Registrant's advisory fee as set forth in the fee schedule at Item 5 below. **Please Also Note:** The Registrant no longer allocates, nor recommends that the client allocate, assets among *Independent Manager[s]*.

**eMoney.** Registrant may provide its clients with access to an online platform hosted by "eMoney Advisor" ("eMoney"). The eMoney platform allows 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. Unless otherwise specifically agreed to, in writing, Registrant's service relative to the Excluded Assets is limited to reporting only. Therefore, Registrant shall not be responsible for the investment performance of the Excluded Assets. **Rather, the client and/or their advisor(s) that maintain management authority for the Excluded Assets, and not Registrant, shall be exclusively responsible for such investment performance.** Without limiting the above, the Registrant shall not be responsible for any implementation error (timing, trading, etc.) relative to 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 eMoney platform also provides access to other types of information and applications including financial planning concepts and functionality, which should not, in any manner whatsoever, be construed as services, advice, or recommendations provided by Registrant. Finally, Registrant shall not be held responsible for any adverse results a client may experience if the client engages in financial planning or other functions available on the eMoney platform without Registrant's assistance or oversight.

**Retirement Plan Rollovers – No Obligation / Conflict of Interest.** 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 Registrant recommends that a client roll over their retirement plan assets into an account to be managed by Registrant, such a recommendation creates a **conflict of interest** if Registrant will earn a new (or increase its current) advisory fee as a result of the rollover. **The Registrant's Chief Compliance Officer, Todd Arens, remains available to address any questions that a client or prospective client may have regarding retirement plan rollovers.**

**Please Note-Use of Mutual Funds and Exchange Traded Funds:** Most mutual funds and exchange traded funds are available directly to the public. Thus, a prospective client can obtain many of the mutual funds that may be recommended and/or utilized by Registrant independent of engaging Registrant as an investment advisor. However, if a prospective client determines to do so, he/she will not receive Registrant's initial and ongoing investment advisory services. **Separate Fees:** All mutual funds (and exchange traded funds) impose fees at the fund level (e.g. management fees and other fund expenses). All mutual fund fees are separate from, and in addition to, Registrant's wealth management fee as described at Item 5 below. **Registrant's Chief Compliance Officer, Todd Arens, remains available to address any questions that a client or prospective client may have regarding the above.**

**Cash Positions.** Depending upon perceived or anticipated market conditions/events (there being no guarantee that such anticipated market conditions/events will occur), the Registrant may maintain cash and cash equivalent positions (such as money market funds, etc.) for defensive and liquidity purposes. Unless otherwise agreed in writing, all such cash positions are included as part of assets under management for purposes of calculating the Registrant's advisory fee. **ANY QUESTIONS:** The Registrant's Chief Compliance Officer, Todd Arens, remains available to address any questions that a client or prospective may have regarding the above fee billing practice.

**Portfolio Activity.** Registrant has a fiduciary duty to provide services consistent with the client's best interest. As part of its investment advisory services, Registrant will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including, but not limited to, investment performance, mutual fund manager tenure, style drift, account additions/withdrawals, and/or a change in the client's investment objective. Based upon these factors, there may be extended periods of time when Registrant determines that changes to a client's portfolio are neither necessary nor prudent. Of course, as indicated below, there can be no assurance that investment decisions made by Registrant will be profitable or equal any specific performance level(s).

**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. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

**Please Note: Investment Risk.** 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 Registrant) will be profitable or equal any specific performance level(s).

- 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 objective(s). Thereafter, the Registrant shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at any time, impose reasonable restrictions, in writing, on the Registrant's services.
- D. The Registrant only offers wrap fee accounts. When managing a client's account on a wrap fee basis, the Registrant shall receive as payment for its investment advisory services, the balance of the wrap fee after all other costs incorporated into the wrap fee have been deducted.
- E. As of March 27, 2019, the Registrant had \$251,208,875 in assets under management on a discretionary basis.

## Item 5 Fees and Compensation

- A. The client can determine to engage the Registrant to provide discretionary or non-discretionary investment advisory services on a wrap-fee basis.

### INVESTMENT ADVISORY SERVICES

Registrant's negotiable annual investment advisory fee shall generally be based upon a percentage (%) of the market value and type of assets placed under Registrant's management and/or advisement, between 0.50% and 1.50% as follows:

<u>Assets</u>	<u>Annual % Fee</u>
\$0.00 - \$249,999.99	1.50%
\$250,000 - \$499,999.99	1.25%
\$500,000 - \$999,999.99	1.00%
\$1,000,000 - \$2,499,999.99	0.85%
\$2,500,000 - \$4,999,999.99	0.75%
\$5,000,000 - \$9,999,999.99	0.65%
\$10,000,000 - \$99,999,999.99	0.50%

**Please Note:** Registrant, in its sole discretion, may charge a lesser investment advisory fee and/or a charge a flat fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, competition, negotiations with client, etc.). **Please Also Note:** As result of the above, similarly situated clients could pay different fees. In addition, similar advisory services may be available from other investment advisers for similar or lower fees. **ANY QUESTIONS: Registrant's Chief Compliance Officer, Todd Arens, remains available to address any questions that a client or prospective client may have regarding advisory fees.**

Registrant's annual investment advisory fee shall include investment advisory services, and, to the extent specifically requested by the client, financial planning and consulting services. In the event that the client requires extraordinary planning and/or consultation services (to be determined in the sole discretion of the Registrant), the Registrant may determine to charge for such additional services, the dollar amount of which shall be set forth in a separate written notice to the client. **Please Note:** The Registrant **does not** serve as an attorney or accountant, and no portion of our financial planning or consulting services should be construed as legal or accounting services. Accordingly, we **do not** prepare estate planning documents or tax returns.

**Please Note: Wrap Program Conflict.** Participation in the Program may cost more or less than purchasing such services separately. The fee that we charge for participation in the Program may be higher or lower than those charged by other sponsors of comparable wrap fee programs. **Conflict of Interest.** When managing a client's account on a wrap fee basis, we shall receive as payment for our investment advisory services, the balance of the wrap fee after all wrap-fee costs (including account transaction fees) have been deducted. **Accordingly,** we have a **conflict of interest** because we could have an economic incentive to maximize our compensation by seeking to minimize the number of transactions/total costs in the client's account. **Our Chief Compliance Officer, Todd Arens, remains available to address any questions that a client or prospective client may have regarding the corresponding conflict of interest a wrap fee arrangement may create.**



## **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

To the extent requested by a client, the Registrant *may* determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a negotiable stand-alone fee basis, generally ranging from \$150 to \$500 per hour on an hourly rate basis or on a pre-determined fixed fee basis. 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.

## **RETIREMENT PLAN CONSULTING**

The terms and conditions of the Registrant's retirement plan consulting services, including the applicable fee, shall be set forth in a Retirement Plan Consulting Agreement between the Registrant and the plan sponsor. Clients can engage Registrant to provide Retirement Plan Consulting services for a fixed fee or a fee based on a percentage of plan assets, which fees will vary depending upon the level and scope of the service(s) required and the professional(s) rendering the service, and will generally range from 0.10% to 0.75% of plan assets.

- B. Both Registrant's *Investment Advisory Agreement* and the custodial clearing agreement may authorize the custodian to debit the account for the amount of the Registrant's investment advisory fee and to directly 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. 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.
- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, the Registrant shall generally recommend that Fidelity serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Fidelity* may charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). In addition to Registrant's investment management fee, brokerage commissions and/or transaction fees (**unless** the client engages the Registrant on a wrap fee basis, in which event, the commissions and transactions fees are included in the Registrant's wrap fee-*see above* disclosure at Item 4), the client will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses)-*see above* disclosure at Item 4.
- D. 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 month. The Registrant, in its sole discretion, may charge a lesser investment management fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, competition, negotiations with client, etc.).

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 month.

- E. **Commission Transactions.** In the event that the client desires, the client can engage certain of the Registrant's representatives, in their separate individual capacities as registered representatives of *PKS*, a FINRA member broker-dealer, to implement investment recommendations on a commission basis. In the event the client chooses to purchase investment products through *PKS*, *PKS* will charge brokerage commissions to effect securities transactions, a portion of which commissions *PKS* shall pay to Registrant's Associated Persons, as applicable. The brokerage commissions charged by *PKS* may be higher or lower than those charged by other broker-dealers. In addition, *PKS*, as well as Registrant's representatives, relative to commission mutual fund purchases, may also receive additional ongoing 12b-1 trailing commission compensation directly from the mutual fund company during the period that the client maintains the mutual fund investment.
1. **Conflict of Interest:** The recommendation that a client purchase a commission product from *PKS* presents a *conflict of interest*, as the receipt of commissions may provide an incentive to recommend investment products based on commissions received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from *PKS*. **The Registrant's Chief Compliance Officer, Todd Arens, remains available to address any questions that a client or prospective may have regarding the above conflict of interest.**
  2. **Please note:** 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 for such product. When providing services on an advisory fee basis, the Registrant's representatives do not also receive commission compensation for such advisory services. **However,** a client may engage the Registrant to provide investment management services on an advisory fee basis and separate from such advisory services purchase an investment product from Registrant's representatives on a separate commission basis.

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

Neither the Registrant nor any supervised person of the Registrant accepts performance-based fees.

## **Item 7            Types of Clients**

The Registrant's clients shall generally include individuals, high net worth individuals, and retirement plans. Registrant does not currently impose a minimum account size or minimum annual fee for its services. **Please Note:** Similar advisory services may be available from other investment advisers for similar or lower fees.

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

A. The Registrant may utilize 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 utilize 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)
- Trading (securities sold within thirty (30) days)

**Please Note: Investment Risk.** 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, Short Term Purchases, and Trading - 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. Trading, an investment strategy that requires the purchase and sale of securities within a thirty (30) day investment time period involves a very short investment time period but will incur higher

transaction costs when compared to a short term investment strategy and substantially higher transaction costs than a longer term investment strategy.

- C. Currently, the Registrant allocates client investment assets on a discretionary and non-discretionary basis primarily among mutual funds, exchange traded funds and separate account managers in accordance with the client's designated investment objective(s).

## **Item 9           Disciplinary Information**

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

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

- A. As disclosed above in item 5.E, Registrant's representatives are registered representatives of *PKS*, a FINRA member broker-dealer.
- 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 PKS.** As disclosed above in Item 5 E, Registrant's representatives are registered representatives of *PKS* and may effect securities brokerage transactions on a fully disclosed commission basis.

**Licensed Insurance Agents.** The Registrant's representatives, in their individual capacities, are licensed insurance agents, and may recommend the purchase of certain insurance-related products on a commission basis. As referenced in Item 4 above, clients can engage certain of Registrant's representatives to effect insurance transactions on a commission basis.

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

- D. The Registrant does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

## **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. Neither the Registrant nor any related person of Registrant recommends, buys, or sells for client accounts, securities in which the Registrant or any related person of Registrant has a material financial interest.
- 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 potential 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 Access Person of the Registrant must provide the Chief Compliance Officer or his/her designee with a written report of the 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; provided, however that at any time that the Registrant has only one Access Person, he or she shall not be required to submit any securities report described above.

- 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 potential 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 another broker-dealer/custodian, investment platform and/or mutual fund sponsor) 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 obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect 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. In the event that a client is not in the Wrap-Fee Program, 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. Non-Soft Dollar Research and Benefits

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Registrant can receive from *Fidelity* (or another broker-dealer/custodian, investment platform 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 can 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.

Certain of the above support services and/or products 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.

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at *Fidelity* as a result of this arrangement. 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 a result of the above arrangement.

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

2. The Registrant does not receive referrals from broker-dealers.
  3. **Directed Brokerage.** We generally recommend that our clients utilize the brokerage and custodial services provided by Fidelity. We may accept directed brokerage arrangements (when a client requires that account transactions be effected 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 we 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 us. As a result, a 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 us to effect 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 effect account transactions through alternative clearing arrangements that we recommend. 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.
- B. **Order Aggregation.** Transactions for each client account generally will be effected independently, unless we decide to purchase or sell the same securities for several clients at approximately the same time. We may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among our 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. We 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 Principal 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 above, we can receive from *Fidelity*, without cost (and/or at a discount), support services and/or products. Our clients do not pay more for investment transactions effected and/or assets maintained at Fidelity as result of this arrangement. There is no corresponding commitment made by us 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 a result of the above arrangements. **The Registrant's Chief Compliance Officer, Todd Arens, remains available to address any questions that a client or prospective client may have regarding the above arrangement and the corresponding conflict of interest presented by such arrangement.**
- B. If a client is introduced to the Registrant by either an unaffiliated or an affiliated solicitor, Registrant may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from the Registrant's investment advisory fee, and shall not result in any additional charge to the client. If the client is introduced to the Registrant by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of their solicitor relationship, and shall provide each prospective client with a copy of the Registrant's written Brochure with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between the Registrant and the solicitor, including the compensation to be received by the solicitor from the Registrant.

#### **Item 15            Custody**

Registrant shall have the ability to deduct its advisory fee from the client's custodial account. Clients are provided with written transaction confirmation notices, and a written summary account statement directly from the custodian (i.e., Fidelity, etc.) at least quarterly. **Please Note:** The account custodian does not verify the accuracy of 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 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.

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.
- 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 is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. The Registrant has not been the subject of a bankruptcy petition.

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