



## **Part 2A of Form ADV: Firm Brochure**

**CRD/IARD No. 18975**

### **Dominari Securities LLC**

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**February 15, 2024**

This Brochure provides information about the qualifications and business practices of Dominari Securities LLC. If you have any questions about the contents of this Brochure, please contact us at 212-393-4500 or 800-299-7618. 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 Dominari Securities LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Dominari Securities LLC is a Registered Investment Adviser. The registration of an Investment Adviser does not imply any level of skill or training.

## **Item 2                      Material Changes**

On an ongoing basis, this item will discuss only specific material changes that are made to the Brochure and provide Clients with a summary of such changes. Dominari Securities LLC (“DS” or “Firm”) will also reference the date of its last annual update of the Brochure. Since our last annual amendment filing on March 24, 2023, we have made no material changes. DS will provide clients with a new Brochure as necessary based on changes or new information, at any time, without charge. Currently, DS’ Brochure may be requested by contacting [Compliance@Dominarisecurities.com](mailto:Compliance@Dominarisecurities.com) or by phone at 212-393-4500..

Additional information about DS is also available via the SEC’s Web site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s Web site also provides information about any persons affiliated with DS who are registered, or are required to be registered, as investment adviser representatives of DS.

As a result of the ownership change Dominari Securities LLC appointed a new Chief Compliance Officer, effective May 12<sup>th</sup>, 2023.

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## Item 4

## Advisory Business

Dominari Securities LLC (“DS” or the “Firm”) was formed as a FINRA registered securities broker-dealer in 1986, under the name Nutmeg Securities LLC. Nutmeg Securities, the predecessor firm, became a state-registered investment advisor in 2001. In 2011, Nutmeg Securities was acquired by Fieldpoint Private Bank & Trust, under the name of its wholly owned subsidiary, Fieldpoint Private Securities, LLC. Fieldpoint Private Securities qualified to change its status from a state registered investment advisor to an SEC registered investment advisor in July 2013.

Dominari Financial Inc., a subsidiary of Dominari Holdings Inc. (NASDAQ: DOMH) entered into an agreement to purchase Fieldpoint Private Securities LLC, a FINRA broker-dealer and SEC Registered Investment Advisor on September 9, 2022. The sale received approval from FINRA on March 20, 2023, and this transaction was finalized on March 27, 2023. As a result of the ownership change the new name of the firm has been changed to Dominari Securities LLC, a subsidiary of Dominari Financial Inc.

DS is a national firm, offering a variety of advisory services through its Investment Advisor Representatives, ("IAR" or "Advisor") registered with the Firm. The services to be provided are further discussed in this brochure and each Advisor will contract with and arrange for specific services to be provided on a client-by-client basis. The Firm offers investment advisory services through both Wrap fee accounts where the client pays one advisory fee that covers portfolio management services and transaction costs and non- Wrap fee accounts where clients pay an advisory fee plus transaction fees for each transaction. This brochure discusses the Wrap fee accounts. For information on the Wrap fee accounts, please see the Firm’s Form ADV 2A, Appendix 1, Wrap Fee Brochure.

DS offers the following types of advisory services:

1. Non-Discretionary – DS provides non-discretionary investment management and advice to clients. Clients choose a non-discretionary engagement by executing a non-discretionary Advisory Services Agreement. DS provides clients tailored asset allocation advice and refers clients to outside, unaffiliated investment managers to fulfill the portfolio construction process. Outside managers are researched, vetted, selected, and monitored by DS Advisor. Approved managers include separately managed accounts (SMAs), mutual funds, limited partnerships, unified managed accounts (UMAs) and other types of products. DS, in consultation with clients, recommends approved managers that are suitable based on the client’s financial goals, risk tolerance and investment experience. DS may change the asset allocation and manager selections only with client approval.<sup>1</sup>
2. Discretionary – DS provides discretionary investment management and advice to clients. Clients choose a discretionary account by executing a discretionary Advisory Services Agreement. DS provides clients with tailored asset allocation advice and manages portfolios on a discretionary basis using a combination of individual securities (such as stocks, bonds, exchange traded funds [“ETFs”] and limited partnerships) as well as approved outside, unaffiliated investment managers. The DS Advisor assigned to the client’s advisory relationship may purchase and sell securities and select outside managers on a client’s behalf without obtaining the client’s prior approval for each individual trade.<sup>4</sup>

Discretionary clients may set up a donor-advised fund (DAF) whereby the client contributes cash or assets to a public charitable organization, which then creates a separate account for the donor. DS may manage the assets itself or utilize a third-party to set up and manage up such accounts.

Assets Not Recommended/Researched by DS – DS may provide counsel and advice about client investments that were not recommended or researched by DS, and over which DS exercises no discretionary control either directly or indirectly. Such investments and/or portfolios may be held at DS’ preferred custodian or elsewhere (assets held elsewhere are referred to as “held away”). Advisory fees apply regardless of whether such assets are held at a DS preferred custodian or held away. DS may, at its sole discretion and in consultation with the client, negotiate a flat fee for assets held away and included in consolidated performance reports that is different from the fee charged for assets held at a DS preferred custodian. Please see Item 5 (“Fees and Compensation”) for more information.

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It is suggested that clients with non-discretionary advisory relationships who wish to trade individual securities establish brokerage accounts (i.e., commission-based transactional accounts) at DS.

### 3. Consulting Services

- DS offers fee-based financial planning and consulting services. Such services often involve a specific project or set of projects, such as preparation of a financial plan or consultation on estate planning, college planning, business planning, etc., with a deadline agreed upon between the client and DS for completion of the project(s) and any related work product. In such circumstances a flat fee is negotiated based upon factors including, but not limited to, the client’s needs and objectives, the complexity of the plan or consulting engagement, the nature of the anticipated work product, the time required to develop the plan and/or conclude the consultation, and the overall experience of the DS Advisor providing the services. Clients who wish to use the Firm’s financial planning/consulting services will be provided with an agreement at the commencement of the engagement describing the scope of the project, the expected final work product, the anticipated timeframe for completion, and the agreed-upon flat fee. An initial retainer payment is typically required upon execution of the engagement agreement, with the balance due upon completion of the engagement or in stages at scheduled times (or upon achievement of established milestones) during the course of the engagement. Throughout the project, the assigned DS Advisor will regularly consult with the client, as well as others if and as directed by the client (such as attorneys, accountants, etc.), to provide updates on the project’s progress, refine the scope as warranted, gather additional information as applicable, and respond to any questions.

The written financial plan or consultation may consist of observations, assumptions, strategies, and recommendations. Depending on the agreement covering the engagement, the client may have the opportunity to update the financial plan or consultation document annually, or as relevant circumstances change. The client may choose to implement all, any component, or none of the financial plan or consulting recommendations, and those the client wishes to pursue may be implemented through

DS or through any other institution of the client's choosing. In the event that implementation is done through DS and depending on the nature of the relationship entered into to facilitate such implementation, the client may be asked to execute a non-discretionary or discretionary Advisory Services Agreement (as applicable), with respect to which the fee schedule described in Item 5 of this Brochure will apply. In such circumstances, the DS Advisor assigned to the relationship will receive compensation in addition to that received directly in connection with the financial planning and/or consulting services.

- DS also offers clients the opportunity to enter into open-ended consulting agreements whereby DS will provide various ongoing services as set forth in the agreement. As an example, such services might include working with an institutional client's Investment Committee to establish investment objectives and design and implement a disciplined investment management process, evaluating potential investment strategies and opportunities (whether or not on the DS platform), performing portfolio reviews, providing brokerage and private banking services, performance reporting, and/or such other services as requested by the client and agreed to by DS. The fee arrangement for such consulting services is negotiated on a case-by-case basis and may be based upon or include a standard flat payment on a recurring basis (e.g., annually), an asset-based fee, commissions and other fees for brokerage and banking services, and/or a combination thereof depending on the specific nature of the services and the agreement between the client and DS.

### **Tailored Asset Management Services**

Advisory services are tailored to individual client needs, requests, goals and risk tolerance based on information obtained from each client at account opening and on an ongoing basis as warranted. There is no guarantee or assurance that our advisory services will in fact be successful in helping clients achieve their financial goals, and clients may lose a portion or all of their investment. Clients must carefully consider the investment options available to them, both at DS and elsewhere, to ensure that they make a well-educated decision when choosing the investment approach and strategy most appropriate for their individual financial goals and circumstances.

Clients may request reasonable restrictions regarding investments that may be held in their portfolios. Any such request must be made in writing and will become effective upon acknowledgment and acceptance of that request. Where client assets are to be managed by outside investment managers, we will confer with those managers about their ability to abide by any client-requested restrictions or accommodations. If we manage client assets directly, acceptance of client-requested restrictions will depend on whether, in our opinion, such restrictions are reasonable and would not unduly interfere with our ability to provide the investment advisory services necessary to facilitate achievement of the client's goals. In either circumstance, if it is determined that a client-requested restriction cannot be accommodated, the client will be notified so as to have the opportunity to modify the requested restriction and/or consider other investment options.

### **Third-party Money Managers**

We may determine that opening an account with a professional third-party money manager is in your best interests. These programs allow you to obtain portfolio management services that typically require higher

minimum account sizes outside of the program. The money managers selected under these programs will have discretion to determine the securities they buy and sell within the account, subject to reasonable restrictions imposed by you. Due to the nature of these programs, each of the independent money managers is obligated to provide you with a separate disclosure document. You should carefully review this document for important and specific program details, including pricing.

Under these programs, we may:

- Assist in the identification of investment objectives
- Recommend specific investment style and asset allocation strategies
- Assist in the selection of appropriate money managers and review performance and progress
- Recommend reallocation among managers or styles within the program
- Recommend the hiring and firing of money managers utilized by you.

You should read the ADV Part 2 or ADV Part 2A Appendix 1 disclosure document of the money manager you select for complete details on the charges and fees you will incur.

As of March 28, 2024, regulatory assets under management at DS had an aggregate value of \$26,779,046.21.

## **Item 5 Fees and Compensation**

DS is compensated for its services by an annual advisory fee (the “Advisory Fee”) charged to its investment advisory clients based on a percentage of assets being advised, in accordance with the fee schedule set forth below.<sup>2, 3</sup>

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<sup>2</sup> DS reserves the right to revise its advisory fee schedule from time to time. Clients are subject to the fee set forth in their Advisory Services Agreement, unless amended by a written agreement between DS and the client. Therefore, advisory fees may differ among clients, and, depending on when a client’s Advisory Services Agreement was signed, may differ from the fee schedule set forth herein.

<sup>3</sup> For purposes of fee calculation, the default valuation for investments in private equity is based on the dollar amount.

<b>Assets Being Advised</b>	<b>Advisory Fees as a Percent of Assets</b>
On the first \$5,000,000	1.25%
On the next \$5,000,000	1.00%
On the next \$15,000,000	0.85%
On the next \$25,000,000	0.65%
On the next \$25,000,000	0.50%
On amounts over \$75,000,000	0.45%

Asset-based Advisory Fees are deducted from client assets quarterly in advance. Advisory Fees for the following calendar quarter are calculated based on a percentage of the client’s asset value at the end of the most recent calendar quarter, as follows:

The asset level at the end of each quarter is multiplied by one-quarter (1/4) of the annual fee percentage to determine the fee to be charged and deducted from the client assets. For example:

<b>Quarter-End Account Assets</b>	<b>Annual Fee</b>	<b>Calculation</b>	<b>Fee Charges/Deducted from Assets</b>
\$1,000,000	1.00%	\$1,000,000 x 0.25%	\$2,500

DS may, in its sole discretion, charge a lesser fee than set forth above on all or a portion of the assets held in an advisory account based upon certain criteria. Such criteria might include, for example and without limitation, the level of advice provided on certain assets, the location of assets, account composition, pre-existing client relationships, related accounts, anticipated future additional assets, and whether the client is an employee of DS or an affiliate. If a fee different from the schedule above is negotiated with respect to all or a portion of the advisory assets, the client will be asked to sign a fee addendum to the Advisory Services Agreement memorializing such negotiated fee.

If the client's advisory contract is terminated before the end of a billing period, DS will reimburse the client *pro-rata* for any advisory fees paid in advance.

In addition to the above, a separate fee may be charged on "held away" assets (as defined in Item 4.2 above) on which DS may provide the same or lesser advice, but which are included in consolidated performance reports prepared for the client. This fee is generally 1.25%; however, in DS' sole

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discretion, a lower fee with respect to such assets may be negotiated, based upon such things as the amount of assets held by a preferred custodian and the overall client relationship. For purposes of fee calculation, the assets to which the fee described in this paragraph applies are segregated from assets held at a preferred custodian; in other words, the fee applicable to assets held at a preferred custodian (which are subject to the sliding fee schedule shown above, unless a different fee has been agreed upon in writing between the client and DS) is not applied to the type of "held away" assets discussed in this paragraph. Assets "held away" will not be included in the sliding scale fee calculation methodology unless agreed upon in writing by DS.

Where accounts are managed by an outside Investment Manager, any fee charged by the Investment Manager will be established by such Manager and will be in addition to the DS advisory fee. Total advisory fee will never exceed 2.5%. The procedure for processing the outside Investment Manager's fee will be either of the following: (1) the Account Custodian will deduct the Investment Manager's fee from the Account and deliver it to the Investment Manager, or (2) DS will deduct both its Advisory Fee and the Investment Manager's fee from the Account and forward the Investment Manager's fee to the Custodian for delivery to the Investment Manager. Outside Investment Managers have their own procedures and may require that fees be deducted in advance or in arrears. Each outside Investment Manager's documentation spells out the terms of fee deductions and any special arrangements, such as procedures for partial-quarter billings or refunds, specifically.

Clients will incur additional expenses in connection with maintaining accounts or certain investments. Mutual funds, including no-load funds, ETFs, and alternative funds, such as limited partnerships and feeder funds have management fees, operating costs and other embedded costs that are typically charged to each underlying investor on a pro-rata basis. Many mutual funds charge a "12b-1 fee" based on a percentage of assets invested in the fund, which is used to defray marketing and other distribution expenses of the adviser and/or distributor on behalf of the mutual fund.



Alternative funds, *e.g.*, limited partnerships, feeder funds, private capital funds, venture capital funds, etc., also typically charge an incentive fee based on performance. This incentive fee can be 10% to 20% of the profits of the fund, and in some instances higher. Retirement accounts typically incur annual custodial fees charged by the Custodian. Security sales have a small transaction fee collected for government purposes. Transactions often have “miscellaneous”, or “postage and handling” fees added, and there may be additional fees for paper trade confirmations and paper copies of periodic account statements. DS does not receive, participate in the collection of, or otherwise benefit from any of the additional fees described in this paragraph.

An annual administrative fee of up to seven basis points (0.07%) is also charged to cover custodial fees charged by DS’ primary custodians, Pershing LLC and Schwab, and costs relating to reporting services.<sup>4</sup> Such fees are debited directly from the client’s account by the custodian. DS does not retain any portion of these fees. Other custodians of clients’ “held away” assets may also charge administrative or other fees. Clients should consult directly with other custodians for information.

If mutual funds are recommended for portfolio accounts, DS recommends fund share classes which are available at net asset value. Some mutual funds pay on-going asset-based service fees to DS (“12b-1 fees”). This creates a conflict of interest, as DS may have incentive to recommend mutual funds which pay 12b-1 fees to DS even when there may be funds with similar track records and investment approaches which do not pay such fees. However, and as noted in the “Conflicts” section of this Brochure, DS mitigates this conflict of interest by rebating any such 12b-1 fees it receives to the client’s account, eliminating the incentive to recommend such funds over others. Expenses and fees charged by each mutual fund are described in the respective fund prospectuses.

DS has entered into an arrangement with a third party, Envestnet Asset Management, Inc. (“Envestnet”), pursuant to which Envestnet provides certain advisory, operational and technological services to DS for certain client accounts, including, but not limited to, Uniform Managed Accounts (UMA), Separately Managed Accounts (SMA), Advisor as Portfolio Manager (APM), overlay services, and web-based reporting and data aggregation services. Where a Client’s DS advisory portfolio receives services from Envestnet, DS will charge advisory fees in accordance with the schedule set forth above. All other matters discussed in this section with respect to the advisory fee charged by DS apply to client portfolios that receive services from Envestnet, including, but not limited to, the negotiation of discounted fees and the considerations discussed in Footnotes 3 and 4.

Clients who receive services through Envestnet will incur certain fees charged by Envestnet separate from the advisory fee charged by DS, the application and amount of which will depend on the specific service(s) provided. These fees range from 0.05% to 0.10% of the assets in the Client’s portfolio with respect to which Envestnet services are provided. In addition, a minimum \$32 per account annual fee for performance reporting services will apply. Please note that where a client receives multiple services from Envestnet, the percentage fees noted herein will be applied to each service, and thus will, in the aggregate, reflect a multiple of the base Envestnet fee level. In addition to the above, a custodial fee of 0.03% applies to all Envestnet advisory accounts. All specific Envestnet fees applicable to a Client’s portfolio will be disclosed in writing upon establishment of the Client’s advisory relationship. DS does not receive any portion of the fees charged by Envestnet for its services.

DS is a securities broker-dealer in addition to a registered investment adviser and typically acts as the introducing broker for transactions effected for clients’ advisory accounts. However, clients

paying for advisory services at DS with asset-based fees are not charged commissions for brokerage transactions effected through DS for their advisory accounts. Advisory fees are not reduced by any transaction charges which might be incurred for accounts held away from DS. All transactions are fully disclosed agency transactions. There are no principal markups or markdowns. DS does not engage in proprietary trading.

Wrap Program: DS offers clients a wrap fee program, the benefits under the wrap fee program depend, in part, upon the size of the account, the costs associated with managing the account, and the frequency or type of securities transactions executed in the account.

For example, a Wrap Fee Program may not be suitable for all accounts, including but not limited to accounts holding primarily, and for any substantial period of time, cash or cash equivalent investments, fixed income securities or no-transaction-fee mutual funds, or any other type of security that can be traded without commissions or other transaction fees.

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<sup>4</sup> Different custodial/administrative fees apply to client portfolios that receive services from Envestnet Asset Management, Inc. Please see below for details.

In order to evaluate whether a Wrap Fee Program or bundled fee arrangement is appropriate for you, you should compare the agreed-upon Wrap Fee Program with the amounts that would be charged by other advisers, broker-dealers and custodians to those provided under the Wrap Fee Program.

**Conflict of Interest:** When managing a client's account on a wrap fee basis, we receive as compensation for our investment advisory services, the balance of the total wrap program fee you pay after custodial, trading and other management costs (including execution and transaction fees) have been deducted. Accordingly, we have a conflict of interest because we have a financial incentive to maximize our compensation by seeking to reduce or minimize the total costs incurred in your account(s) subject to a wrap fee.

Schwab and other custodians have eliminated commissions (or transactions fees) for online trades of U.S. equities, ETFs and options (subject to \$0.65 per contract fee). This means that, in most cases, when we buy and sell these types of securities, we will not have to pay any commissions to Schwab. We encourage you to review Schwab's pricing to compare the total costs of entering into a wrap fee arrangement versus a non-wrap fee arrangement. If you choose to enter into a wrap fee arrangement, your total cost to invest could exceed the cost of paying for brokerage and advisory services separately. To see what you would for transactions in a non-wrap account please refer to Schwab's most recent pricing schedules available at [Schwab.com/aspricingguide.com](http://Schwab.com/aspricingguide.com).

**Best Execution.** DS takes its responsibility for best execution seriously. While quality of execution at the best price is an important consideration, best execution does not necessarily mean lowest price and it is not the sole consideration. Instead, the totality of the arrangement and services provided by a broker-dealer must be examined to determine the best execution. Accordingly, while DS considers competitive rates, it does not necessarily obtain the lowest possible commission rates for your account transactions. Therefore, the overall services provided by DS and custodians are evaluated to determine the best execution.

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

DS does not charge any performance-based fees or fees that are based on a share of capital gains on or capital appreciation of the assets of a client.

## **Item 7      Types of Clients**

DS clients are generally individuals and entities controlled by individuals, such as pension plans, IRAs and trusts. We generally work with high net worth and ultra-high net worth clients with \$10 million or more to invest. However, at its sole discretion, DS may accept clients with net worth of lesser amounts, depending on various factors, including, for example, the client's investment experience, financial circumstances and objectives, the appropriateness of the advisory services offered by DS for such client, and/or the existence of relationships with the Firm on the part of related parties.

### **7.1 Client Information Provided to Third-Party Managers**

DS provides client information to third-party managers for two purposes:

- (i) Identifying information sufficient to enable the manager to open the account; and
- (ii) Information regarding the client's risk tolerance and investment objectives to enable the manager to effectively manage the portfolio.

We provide the manager with updated information as we become aware of such.

### **7.2 Client Contact with DS Advisors and Third-Party Managers**

We do not place any restrictions on clients' access to information regarding their advisory relationship with DS. Clients may confer with DS Advisors at any time that may be mutually convenient within or outside regular business hours. If a client wishes to contact and/or consult with an outside portfolio manager, our Advisors use their best efforts to the extent feasible to arrange the contact and/or consultation. Independent asset managers have their own separate policies regarding how and how often they may communicate with clients. We have no control over the policies of these unaffiliated managers.

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

To affect the investment strategy selected by the client, the Firm has developed a volatility-targeted approach that determines the underlying recommendations, including the asset allocation and third-party manager selection, for each client's stated goal.

DS's primary approach is a strategic asset allocation aimed at reducing over-all portfolio risk through diversification. The asset allocation aims to optimize the quantity and types of risk factors present in the portfolio. Such an approach considers the client's financial goals and objectives and is based on Advisors' assumptions about future economic factors such as economic growth, inflation, interest rates, and the risk, return and correlation characteristics of asset classes and segments. Client portfolios use ETFs, mutual funds, SMAs, limited partnerships, cash equivalents and other

investments (internal Focus List) that have been vetted, approved, and researched by the Firm's research team.

Discretionary portfolios may invest in an approved list of individual securities. The firm utilizes a quantitative model that incorporates 12 research concepts to screen stocks. Such assets are subject to varying degrees of investment, market, credit interest rate, and regulatory risks. Clients should be aware that diversification does not ensure a profit or protect against a loss in a declining market. There is no guarantee that any particular asset allocation or mix of strategies will meet their investment objectives or provide a given level of income or return. Investment goals and portfolio results may be materially impacted by a client's failure to update their personal and financial information.

### 8.1. Capital Market Expectations

The firm analyzes and links macroeconomic and market dynamics through the development of forward-looking capital market expectations (CMEs) including the future rate of return, volatility, and correlation for capital markets and economic factors such as the rate of change in economic growth and inflation. CMEs are subject to change over time with changes to our underlying assumptions and may impact strategic asset allocations.

### 8.2. Asset Allocation & Rebalancing

Through discussions with the prospective client, DS develops an asset allocation tailored to a client's needs, including their volatility target, risk preferences, investment horizon, income needs, tax situation, and current global market conditions. The Firm utilizes a volatility-budgeting approach to strategic asset allocation designed to deliver a pre-defined level of expected portfolio volatility. The process solves risk diversification first, and then allocates the capital. This approach de-emphasizes market forecasting and relies more on aligning the types of risk factors with the client's goal and the prevailing macroeconomic environment.

Client portfolios are reviewed by the firm to ensure the clients' assets are managed in a manner consistent with their individual investment policy statement and investment objectives. Non-discretionary clients will review and must approve rebalancing recommendations made by the firm's Advisor. Discretionary clients' portfolios will be rebalanced periodically at DS's discretion and guided by the client's Investment Policy Statement, but such rebalancing will not require client approval as a consequence of rebalancing, clients may incur potentially adverse tax consequences.

### 8.3 Manager Research & Due Diligence

DS expresses clients' strategic asset allocation portfolios using a combination of active and passive third-party investment strategies and/or internally managed portfolios. These strategies may include separately managed accounts, limited partnerships, mutual funds, and exchange traded funds. Certain direct investment opportunities may be available for qualified clients. Certain discretionary accounts may express asset allocations with individual equity, credit, and Treasury securities.

To maintain objectivity, DS does not accept platform fees, marketing allowances, or any other form of compensation from outside investment managers wishing to gain access to DS's investment platform and clients.

The philosophy and framework for analysis, investment strategies and risk management incorporate screening, due diligence, and ongoing research of third-party investment strategies. The Firm seeks to identify money managers with a strong risk-management profile, distinctive alpha generating skills, an accomplished performance record (absolute and relative to its peer group, and liquidity, fees, and minimums aligned with our clients' goal and objectives.

An investment strategy or vehicle may be recommended to a client portfolio only if it has passed the manager research process and been added to the firm's Focus List.

#### 8.4. Performance Reporting

The firm uses Addepar for performance reporting, which acquires data electronically from multiple accounting systems, custodians, and platforms to allow Advisors and clients a comprehensive view of portfolio performance. If needed, we reconcile after receiving the data, to ensure clients and Advisors receive accurate investment performance calculations.

#### 8.5 Risk of Loss

We cannot guarantee our analysis methods will yield a return. In fact, a loss of principal is always a risk. Investing in securities involves a risk of loss that you should be prepared to bear. You need to understand that investment decisions made for your account by us are subject to various market, currency, economic, political and business risks. The investment decisions we make for you will not always be profitable nor can we guarantee any level of performance.

A list of all risks associated with the strategies, products and methodology we offer are listed below:

##### ***Alternative Investment Risk***

Investing in alternative investments is speculative, not suitable for all clients, and intended for experienced and sophisticated investors who are willing to bear the high economic risks of the investment, which can include:

- Loss of all or a substantial portion of the investment due to leveraging, short-selling or other speculative investment practices
- Lack of liquidity in that there may be no secondary market for the fund, and none expected to develop
- Volatility of returns
- Absence of information regarding valuations and pricing
- Delays in tax reporting
- Less regulation and higher fees than mutual funds.

##### ***Bond Fund Risk***

Bond funds generally have higher risks than money market funds, largely because they typically pursue strategies aimed at producing higher yields of the risks associated with bond funds include:

- Call Risk - The possibility that falling interest rates will cause a bond issuer to redeem—or call—its high-yielding bond before the bond's maturity date.
- Credit Risk — the possibility that companies or other issuers whose bonds are owned by the fund may fail to pay their debts (including the debt owed to holders of their bonds). Credit risk is less of a factor

for bond funds that invest in insured bonds or U.S. Treasury bonds. By contrast, those that invest in the bonds of companies with poor credit ratings generally will be subject to higher risk.

- **Interest Rate Risk** — the risk that the market value of the bonds will go down when interest rates go up. Because of this, you can lose money in any bond fund, including those that invest only in insured bonds or Treasury bonds.
- **Prepayment Risk** — the chance that a bond will be paid off early. For example, if interest rates fall, a bond issuer may decide to pay off (or "retire") its debt and issue new bonds that pay a lower rate. When this happens, the fund may not be able to reinvest the proceeds in an investment with as high a return or yield.

### ***Exchange Traded Fund ("ETF") Risk***

Most ETFs are passively managed investment companies whose shares are purchased and sold on a securities exchange. An ETF represents a portfolio of securities designed to track a particular market segment or index. ETFs are subject to the following risks that do not apply to conventional funds:

- The market price of the ETF's shares may trade at a premium or a discount to their net asset value;
- An active trading market for an ETF's shares may not develop or be maintained; and
- There is no assurance that the requirements of the exchange necessary to maintain the listing of an ETF will continue to be met or remain unchanged

### ***Insurance Product Risk***

The rate of return on variable insurance products is not stable, but varies with the stock, bond and money market subaccounts that you choose as investment options. There is no guarantee that you will earn any return on your investment and there is a risk that you will lose money. Before you consider purchasing a variable product, make sure you fully understand all of its terms. Carefully read the prospectus. Some of the major risks include:

- **Liquidity and Early Withdrawal Risk** – There may be a surrender charge for withdrawals within a specified period, which can be as long as six to eight years. Any withdrawals before a client reaches the age of 59 ½ are generally subject to a 10 percent income tax penalty in addition to any gain being taxed as ordinary income.
- **Sales and Surrender Charges** – Asset-based sales charges or surrender charges. These charges normally decline and eventually are eliminated the longer you hold your shares. For example, a surrender charge could start at 7 percent in the first year and decline by 1 percent per year until it reaches zero.
- **Fees and Expenses** – There are a variety of fees and expenses which can reach 2% and more such as:
  - Mortality and expense risk charges
  - Administrative fees
  - Underlying fund expenses
  - Charges for any special features or riders.
- **Bonus Credits** – Some products offer bonus credits that can add a specified percentage to the amount invested ranging from 1 percent to 5 percent for each premium payment. Bonus credits, however, are

usually not free. In order to fund them, insurance companies typically impose high mortality and expense charges and lengthy surrender charge periods.

- **Guarantees** – Insurance companies provide a number of specific guarantees. For example, they may guarantee a death benefit or an annuity payout option that can provide income for life. These guarantees are only as good as the insurance company that gives them.
- **Market Risk** – The possibility that stock fund or bond fund prices overall will decline over short or even extended periods. Stock and bond markets tend to move in cycles, with periods when prices rise and other periods when prices fall.
- **Principal Risk** – The possibility that an investment will go down in value, or "lose money," from the original or invested amount.

### ***Mutual Funds Risk***

The following is a list of some general risks associated with investing in mutual funds.

- **Country Risk** - The possibility that political events (a war, national elections), financial problems (rising inflation, government default), or natural disasters (an earthquake, a poor harvest) will weaken a country's economy and cause investments in that country to decline.
- **Currency Risk** -The possibility that returns could be reduced for Americans investing in foreign securities because of a rise in the value of the U.S. dollar against foreign currencies. Also called exchange-rate risk.
- **Income Risk** - The possibility that a fixed-income fund's dividends will decline as a result of falling overall interest rates.
- **Industry Risk** - The possibility that a group of stocks in a single industry will decline in price due to developments in that industry.
- **Inflation Risk** - The possibility that increases in the cost of living will reduce or eliminate a fund's real inflation-adjusted returns.
- **Manager Risk** -The possibility that an actively managed mutual fund's investment adviser will fail to execute the fund's investment strategy effectively resulting in the failure of stated objectives.
- **Market Risk** -The possibility that stock fund or bond fund prices overall will decline over short or even extended periods. Stock and bond markets tend to move in cycles, with periods when prices rise and other periods when prices fall.
- **Principal Risk** -The possibility that an investment will go down in value, or "lose money," from the original or invested amount.

### ***Stock Fund Risk***

Overall "market risk" poses the greatest potential danger for investors in stocks funds. Stock prices can fluctuate for a broad range of reasons, such as the overall strength of the economy or demand for particular products or services.

### ***Technical Analysis risk***

- Technical analysis is derived from the study of market participant behavior and its efficacy is a matter of controversy.
- Methods vary greatly and can be highly subjective; different technical analysts can sometimes make contradictory predictions from the same data.

- Models and rules can incur sufficiently high transaction costs.

### ***Overall Risks***

Clients need to remember that past performance is no guarantee of future results. All funds carry some level of risk. You may lose some or all of the money you invest, including your principal, because the securities held by a fund go up and down in value. Dividend or interest payments may also fluctuate, or stop completely, as market conditions change.

Before you invest, be sure to read a fund's prospectus and shareholder reports to learn about its investment strategy and the potential risks. Funds with higher rates of return may take risks that are beyond your comfort level and are inconsistent with your financial goals.

While past performance does not necessarily predict future returns, it can tell you how volatile (or stable) a fund has been over a period of time. Generally, the more volatile a fund, the higher the investment risk. If you'll need your money to meet a financial goal in the near-term, you probably can't afford the risk of investing in a fund with a volatile history because you will not have enough time to ride out any declines in the stock market.

## **Item 9      Disciplinary Information**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business and/or the integrity of our management.

DS as an investment adviser and its personnel have no disciplinary history to report. However, its broker/dealer counterpart has disclosures that occurred when the firm was under different ownership, management, and supervision. These disclosures are more than 10 years old.

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

DS is a wholly owned subsidiary of Dominari Financial LLC which is part of Dominari Holdings, Inc. In addition to being a registered investment advisor, DS is a FINRA-registered securities broker-dealer, and many of our investment advisor agents are also registered representatives for securities commission-based business.

DS is licensed to sell life insurance products, and certain of our associated persons are also licensed as life insurance producers in certain states. DS considers its registrations and licenses for multiple business lines as beneficial to broadening the potential scope of engagements with its clients and being able to offer a full range of financial services to its clients. Different products will have differing levels of pricing and compensation. If more than one product might address a client's financial needs, DS would have an incentive to recommend the product with higher compensation for DS.

DS monitors the above scenarios that create a material conflict of interest to mitigate such conflicts.

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

### **11.1 Code of Ethics**

DS's Code of Ethics is intended to promote honest and ethical conduct, including open and principled disclosure and handling of actual or apparent conflicts of interest between personal and professional



relationships. Our Code of Ethics requires compliance with applicable laws and regulations, protection of confidential information, ethical business practices, and personal conduct on the part of all of the Firm's colleagues. A complimentary copy of DS's full Code of Ethics is available upon request by calling us at 212-393-4500 or by sending an email to DS at [compliance@dominarisecurities.com](mailto:compliance@dominarisecurities.com).

## 11.2 Participation or Interest in Client Transactions

DS does not sell to, nor purchase from, clients any securities in which DS has a material financial interest, including those of the parent company, Dominari Holdings, Inc. (NASDAQ: DOMH). DS does not execute cross transactions in advisory accounts.

## 11.3 Personal Trading

DS and its employees may purchase or sell securities recommended for purchase or sale in client accounts. If such transactions are executed on the same day as client transactions in the same or related securities,<sup>5</sup> The practice at DS is to place trade executions with the most advantageous prices in client accounts. Strict trading practices are in place on DS Advisors concerning the purchase and sale of stock of the parent company, Dominari Holdings, Inc.

## 11.4 Conflicts of Interest

DS endeavors to offer its clients an investment advisory program that emphasizes the practice of putting the best interests of its clients ahead of the Firm's and its Advisors', and that minimizes the likelihood of conflicts of interest that might interfere with this philosophy. To this end, DS:

- Does not develop, market or recommend to clients any proprietary investment products.
- Does not accept "program fees" or any other compensation from outside investment managers for access to DS' advisory platform or featured placement on its menu of available products.
- Does not accept 12b-1 marketing/distribution fees from mutual funds held in clients' advisory accounts.<sup>6</sup>

<sup>5</sup> "Related Securities" means derivatives of a security, such as rights, warrants, and options.

<sup>6</sup> In the event that DS receives 12b-1 fees from a mutual fund held in a client's advisory account, such payment is rebated to the client's account.

1. DS participates in a program whereby excess cash in clients' advisory accounts is swept to an omnibus account maintained by Pershing LLC, DS's primary custodian, at Bank of New York Mellon, Pershing's intermediary bank. An amount equivalent to the aggregate amount of such cash swept each day is then transferred to omnibus money market accounts at DS's parent bank and other banks unaffiliated with DS. Pursuant to its overall custodial agreement with Pershing LLC, DS receives a percentage of fees received by Pershing LLC in connection with applicable cash swept to money market accounts at *unaffiliated* banks under the program. Such fees are paid to Pershing directly by the money market company and are not deducted from client accounts, and do not represent 12b-1 fees earned by DS. DS does not receive a share of

any fees paid to Pershing LLC by the money market company relating to cash swept to the omnibus account at DS's parent bank. DS does not believe this arrangement creates a conflict of interest with its clients, as DS has no financial incentive to direct cash to the omnibus money market account maintained by Pershing at DS's parent bank.

## **Item 12      Brokerage Practices**

Where clients maintain both fee-based advisory and commission-based brokerage accounts at DS, it is DS's policy to take all appropriate steps to avoid any conflicts or circumstances that might prove disadvantageous to the client.

As noted above, DS does not charge commissions for securities transactions in advisory accounts held at DS. If DS did charge commissions for transactions effected to facilitate investment advice, it could create a conflict of interest in that DS would have an incentive to recommend more transactions than it might if transactions were executed at another brokerage firm.

However, clients with separate accounts at outside money managers may have brokerage services selected by the outside managers. DS has no control over, or ability to influence, fees charged by other brokerage firms.

DS does not send commission business to other brokers in return for client referrals, nor does DS receive commission business from other parties in return for client referrals. However, as discussed in Item 15, DS does from time to time enter into referral arrangements whereby third parties are paid a portion of the advisory fees received by DS for referrals of clients who establish an investment advisory relationship with the Firm. Please see Item 15 for details.

Dominari Securities (“we”/“our”) does not maintain custody of your assets that we manage, although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account (see Item 15—Custody, below). Your assets must be maintained in an account at a “qualified custodian,” generally a broker-dealer or bank. We recommend that our clients use Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member SIPC, as the qualified custodian. We are independently owned and operated and are not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when [we/you] instruct them to. While we recommend that you use Schwab as custodian/broker, you will decide whether to do so and will open your account with Schwab by entering into an account agreement directly with them. Conflicts of interest associated with this arrangement are described below as well as in Item 14 (Client referrals and other compensation). You should consider these conflicts of interest when selecting your custodian. We do not open the account for you, although we may assist you in doing so. [ Even though your account is maintained at Schwab, we can still use other brokers to execute trades for your account as described below (see “Your brokerage and custody costs”).

### **How we select brokers/custodians**

We seek to recommend a custodian/broker that will hold your assets and execute transactions. When considering whether the terms that Schwab provides are, overall, most advantageous to you when compared with other available providers and their services, we consider a wide range of factors, including:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded

- funds [ETFs], etc.)
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Reputation, financial strength, security, and stability
- Prior service to us and our clients
- Availability of other products and services that benefit us, as discussed below (see “Products and services available to us from Schwab”)

### **Your brokerage and trading costs**

For our clients’ accounts that Schwab maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. Certain trades (for example, many mutual funds, and U.S. exchange-listed equities and ETFs) may not incur Schwab commissions or transaction fees. Schwab is also compensated by earning interest on the uninvested cash in your account in Schwab’s Cash Features Program. For some types of accounts and upon our request, Schwab will charge you a percentage of the dollar amount of assets in the account in lieu of commissions, where we have determined that this pricing structure is appropriate for your account [Schwab’s [commission rates [and/or] asset-based fees] applicable to our client accounts were negotiated based on the condition that our clients collectively maintain a total of at least \$25,000 of their assets in accounts at Schwab. This commitment benefits you because the overall fees you pay to Schwab could be lower than they would be otherwise. In cases where we choose to execute a trade with different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab account, Schwab charges you a flat dollar amount as a “prime broker” or “trade away” fee for each trade. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, to minimize your trading costs, we have Schwab execute most trades for your account.

We are not required to select the broker or dealer that charges the lowest transaction cost, even if that broker provides execution quality comparable to other brokers or dealers. Although we are not required to execute all trades through Schwab, we have determined that having Schwab execute most trades is consistent with our duty to seek “best execution” of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see “How we select brokers/ custodians”). By using another broker or dealer you may pay lower transaction costs.

### **Products and services available to us from Schwab**

Schwab Advisor Services™ is Schwab’s business serving independent investment advisory firms like ours. They provide us and our clients with access to their institutional brokerage services (trading, custody, reporting, and related services), many of which are not typically available to Schwab retail customers. However, certain retail investors may be able to get institutional brokerage services from Schwab without going through our firm. Schwab also makes available various support services. Some of those services help us manage or administer our clients’ accounts, while others help us manage and grow our business. Schwab’s support services are generally available at no charge to us. Following is a more detailed description of Schwab’s support services:

#### **Services that benefit you.**

Schwab’s institutional brokerage services include access to a broad range of investment products,

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

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

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

#### **Services that generally benefit only us.**

Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events
- Consulting on technology and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers
- Marketing consulting and support

Schwab provides some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab also discounts or waives its fees for some of these services or pays all or a part of a third party's fees. Schwab also provides us with other benefits, such as occasional business entertainment for our personnel. If you did not maintain your account with Schwab, we would be required to pay for these services from our own resources.

#### **Our interest in Schwab's services**

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services. The fact that we receive these benefits from Schwab is an incentive for us to recommend the use of Schwab rather than making such decision based exclusively on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a conflict of interest. We believe, however, that taken in the aggregate, our recommendation of Schwab as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's services (see "How we select brokers/custodians") and not Schwab's services that benefit only us.

**Soft-Dollar Practices:** DS does not receive research or other soft-dollar benefits for directing commission business to other firms.

## Item 13      Review of Accounts

The individual DS Advisors review client account performance regularly, and discuss results with clients on a routine basis, but in no event less than annually. Clients receive written account statements from their custodians no less than quarterly, as well as periodic performance reports from DS. Clients are strongly encouraged to carefully review their account statements and performance reports promptly upon receipt, and to contact their DS Advisors with any questions or if they need additional information.<sup>7</sup>

Advisory accounts are subject to routine monitoring by DS Compliance and Operations. Any apparently questionable activity is investigated to evaluate the appropriateness of how the account has been handled.

<sup>7</sup> Clients are reminded that performance reports are for informational purposes and are not the official record of their Account(s). The account statement sent by the custodian is the official account record.

## Item 14      Client Referrals and Other Compensation

From time to time, DS enters into arrangements whereby third parties are remunerated for referring investors to DS who establish investment advisory relationships with the Firm. Such third parties are compensated based on a percentage of the advisory fees billed by DS for investment advisory services provided to the client.

*Advisory fees paid by the client are not affected by this arrangement, i.e., the client pays only the advisory fee as stated in the client's Advisory Services Agreement with DS and does not pay anything additional to compensate for the remuneration paid by DS to the referring party.*

Referrers are required pursuant to their written agreements with DS to deliver a written disclosure document, in a form mandated by DS, to each potential client being referred to DS at the time of the referral. The disclosure document informs the referred party of the existence of the referral agreement, explains the nature of the relationship between DS and the referrer and the manner in which remuneration is paid to the referrer, and specifies that the cost to the referred party will not be affected in any way by any compensation paid by DS to the referrer. As specified in the written agreement between DS and the referrer, DS will not pay any remuneration to the referrer with respect to any referred relationship unless and until it has received a copy of the disclosure document signed by the referred client verifying such client's receipt of and understanding of the document and consenting to the remuneration arrangement between DS and the referrer. The referred client has the right to deny or withdraw such consent at any time by notifying DS, in which event no compensation (or further compensation, if the client withdraws such consent after initially providing it) will be paid to the Referrer with respect to the referred client's advisory relationship.

We receive an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors whose clients maintain their accounts at Schwab. We benefit from the products and services provided because the cost of these services would otherwise be borne directly by us, and this creates a conflict. You should consider these conflicts of interest when selecting a custodian. These products and services, how they benefit us, and the related conflicts of interest are described above (see Item 12—Brokerage Practices).

## **Item 15      Custody**

DS does not maintain custody of client money or securities. DS clears security trades through the Pershing LLC division of Bank of New York Mellon. Pershing is the custodian of the majority of assets for which DS provides advisory services. DS has also entered into an agreement with Schwab whereby they also provide custody services for some DS advisory accounts. Other advisory account assets may be held at other brokerage firms, mutual fund companies and insurance companies or custodians. In all cases, the custodians of client assets provide statements to

Clients at least quarterly showing assets and values held at the respective firms.

It is important that Clients carefully review statements provided by the custodians promptly upon receipt to confirm that all account activity is consistent with their instructions and understanding, and promptly contact their DS Advisor with any questions.

Under securities regulations, we are deemed to have custody of your assets if, for example, you authorize us to instruct Schwab to deduct our advisory fees directly from your account or if you grant us authority to move your money to another person's account.

Schwab maintains actual custody of your assets. You will receive account statements directly from Schwab at least quarterly. They will be sent to the email or postal mailing address you provided to Schwab. You should carefully review those statements promptly when you receive them.

## **Item 16      Investment Discretion**

DS may accept discretionary investment authority over client accounts. This discretionary authority is established by written authorization from the account owner(s), must be accepted by DS, and must be approved by a supervisor. DS retains the right, in its sole discretion, not to accept a client's request to enter into a discretionary relationship. Please see Item 4 ("Advisory Business") for details on the types of discretionary and non-discretionary relationships available.

Depending on the nature of the overall advisory relationship, the written authorization may be documented in a Discretionary Advisory Services Agreement or in an addendum to a Non-Discretionary Advisory Services Agreement. The latter is typically used when the account owner wishes to have a portion of the assets in their portfolio managed on a discretionary basis by DS, while having the remainder of their assets in the portfolio handled on a non-discretionary basis. In such a situation, the discretionary and non-discretionary assets are segregated in different accounts.

Regardless of whether a client chooses a discretionary or non-discretionary advisory relationship with DS, the fee schedule discussed in Item 5 is the same. Where a client signs a discretionary addendum to a Non-Discretionary Advisory Services Agreement, the advisory fee with respect to the discretionary assets will be the same as stated in the Non-Discretionary Advisory Services Agreement, unless otherwise agreed in writing.

When DS is granted discretionary authority over an account, it means that DS is authorized to make investment decisions of all kinds, including, but not limited to, the purchase and sale of individual securities, in the account without consultation with, or direction from, the account owner(s).

## **Item 17      Voting Client Securities**

DS does not vote client securities. Assets held by outside money managers or at mutual funds or insurance companies will be subject to the policies of those entities.

For assets held in DS accounts, clients who have not opted out of letting their beneficial ownership of securities be known to the underlying companies, and for whom proxies are not voted by DS, will receive proxies either from the companies directly or from transfer agents or services retained by the companies. Under such circumstances, DS plays no part in this process and disclaims any responsibility for the delivery or timeliness of delivery of proxy materials to securities owners. In the case of tender offers, DS will follow the instructions of the owners of accounts holding the securities. Account owners should telephone DS at (212) 393-4500 or (800) 299-7618 to inform DS whether or not to tender securities subject to tender offers.



## **Item 18      Financial Information**

DS does not require payment of fees of more than \$1200 per client, six months or more in advance.

Registered investment advisers are required in this Item to provide certain financial information or disclosures about DS's financial condition. DS has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.

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