

# BlackWatch Financial Group, LLC

ADV Part 2A, Firm Brochure

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**This brochure provides information about the qualifications and business practices of BlackWatch Financial Group, LLC. If you have any questions about the contents of this brochure, please contact us at (630) 380-9430. 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 BlackWatch Financial Group, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

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

## **Item 2           Material Changes**

There have been no material changes since BlackWatch Financial Services filed its initial Form ADV.

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

- A. BlackWatch Financial Group, LLC (the “Registrant”) is a limited liability company formed in June 2023 in the state of Illinois. The Registrant is owned by Charles R. Campbell. Mr. Campbell is the Registrant’s Managing Member.

B.

#### **INVESTMENT MANAGEMENT**

The Registrant provides discretionary investment advisory services on a *fee* basis. The Registrant’s annual investment advisory fee is based upon a percentage (%) of the market value of the client’s assets placed under the Registrant’s management.

The Registrant’s annual investment advisory fee typically includes investment advisory services and financial planning and consulting services. In the event the client requires extraordinary planning and/or consultation services (to be determined in the sole discretion of the Registrant), 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.

Before engaging Registrant to provide investment advisory services, clients are required to enter into an *Investment Advisory Agreement* setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the fee that is due from the client. Before providing investment advisory services, an investment adviser representative will ascertain each client’s investment objectives. Thereafter, Registrant will allocate and/or recommend that the client allocate investment assets consistent with the designated investment objectives. Once allocated, Registrant provides ongoing monitoring and review of account performance, asset allocation and client investment objectives.

#### **FAMILY OFFICE SERVICE**

The Registrant views the investment advisory process as an integral part of the financial foundation for a family’s lifestyle and legacy. Proper planning is the blueprint that allows clients to achieve their goals. The Registrant takes pride in being the family wealth guardian, trusted counselor and investment specialist. By working closely with family members, the Registrant begins by designing a customized investment plan to suit the unique needs of each client. When developing the investment strategy, the Registrant takes into account all objectives, constraints and risk tolerances that shape life's priorities. The Registrant’s goal is to provide substantial value to its clients’ lives in specific areas. Sound, comprehensive investment planning and management is at the core of the Registrant’s family office services.

Investment Planning: At the center of the investing process is having clearly defined goals and strategies. A well-defined Investment Policy Statement serves as the cornerstone of the Registrant’s investment approach, and is, perhaps, the most important single document to define and assist a family in identifying its designated goals and objectives. The Registrant will customize investment strategies and asset allocation plans to suit each family’s unique needs and circumstances. Then, continuous oversight and evaluation will allow us to adjust the plan as client’s priorities change or market conditions dictate.

The main components to be agreed upon with each client family include:

- Investment Objective
- Risk Tolerance
- Time Horizon
- Liquidity Requirements
- Tax and Legal Constraints
- Unique Circumstances or Requirements
- Identification of Restricted Securities
- Recommended Asset Allocation
- Appropriate Benchmark

Asset Allocation and Diversification: The Registrant believes asset allocation is one of the most important decisions it will help its clients make. Proper identification and execution of asset allocation is the most effective tool to target risk levels. The Registrant believes in the merit of diversification to mitigate risk as well as to provide opportunities to enhance portfolio returns. This would include utilization of traditional asset classes of stocks and bonds, and less traditional classes of hedge funds, venture capital, private equity and real estate. By allocating to the appropriate mix of investments across a diversified portfolio, the Registrant strives to limit losses and reduce the fluctuations of investment returns without sacrificing potential gains. The Registrant uses sophisticated software utilizing mean variance optimization techniques to generate forecasts of potential outcomes to help guide clients in the asset allocation decision.

Asset Management: The Registrant's experienced portfolio manager will manage the core of domestic, large, liquid, publicly traded securities (stocks, bonds, exchange traded funds ("ETFs"), etc.) and may employ outside managers for the additional exposures (hedge funds, private equity, international, etc.).

Investment Reporting: The Registrant remains available to provide each client with comprehensive investment reporting that includes all assets and liabilities, including illiquid assets held outside of its investment management program. Reporting may be customized and will include holdings, transactions, income and expenses, gains and losses, and portfolio performance.

## **ADMINISTRATION**

Families of substantial wealth have more complex balance sheets with potentially wide-ranging risk exposures. The Registrant's clients will benefit from its analysis of each of these exposures.

Financial Statements: The Registrant remains available to prepare balance sheets and income/expense statements for family office service clients. These will include a detailed analysis of related cash flows, risks and potential risk mitigation strategies. The Registrant will not sell insurance products. Instead, this review will include a conflict-free insurance analysis and discussion of insurance coverage with non-related insurance providers.

Legal Review: The Registrant will not engage in any activity deemed to be the practice of law; however, the Registrant will assist client families with legal reviews related to their investments, business interests, and professional and charitable activities. This process will

include educating clients regarding their rights, obligations and potential risks, as well as assisting them in engaging appropriate outside legal counsel.

Liquidity Management: The Registrant remains available to advise clients on their daily and monthly cash management requirements, ensuring that liquidity is maintained to support outflows. Reconciliation of cash accounts may be offered to clients with significant cash management systems involving multiple providers.

Bill Payment: The Registrant may recommend the services of a third-party bill payment service to minimize each client's administrative burden.

### **WEALTH MAINTENANCE SERVICES**

Many wealthy clients are still in the process of accumulating substantial wealth from various sources. The Registrant is able to help guide clients to reliable conclusions for managing the complex interplay of:

- Family cash flows (income and expense management)
- Appropriate investment returns and risks
- Balance sheet management
- Employment continuation and/or retirement
- Family and philanthropic wealth transfer
- Family business capital investments, distributions, and dissolutions

The Registrant can assist with:

- Wealth transfer, estate, and incapacity planning
- Charitable planning
- Business succession planning
- Proper utilization and ownership of life insurance and annuities
- Stock option strategies
- Restricted stock
- Lifestyle needs and cash flow analysis
- Financial planning
- Pre-liquidity event, merger and acquisition, and other exit strategy planning

The Registrant works with clients' attorneys, accountants, and other key advisors to design and implement comprehensive tax minimization plans.

### **PHILANTHROPY & FOUNDATION ADVISORY SERVICES**

In addition to advising families as to philanthropic wealth transfer and/or charitable planning strategies, the Registrant will provide Foundation Advisory Services to ensure that its clients' charitable goals and visions are carried out through meaningful community impact. Fees are detailed below in Item 5. Foundation Advisory Services include:

Foundation management and administration:

- Provide advice on foundation mission, governance, fiduciary and administrative issues
- Monitor cash flow to ensure timely grant-making
- Process grant distributions and report on grants paid
- Serve as address of record for grant inquiries, foundation correspondence and regulatory purposes
- Attend foundation meetings and record foundation minutes
- Engage next generation through educational sessions and workshops on philanthropy

Grants management and administration:

- Develop and/or review foundation guidelines, special funding initiatives, grant-making priorities and application procedures, as needed
- Act as point of contact with grant-seeking organizations and the community
- Initiate outreach to organizations that meet funding priorities
- Review and evaluate grant proposals
- Prepare grant transmittal letters and grant contracts
- Manage grant portfolio and generate grantee reports on use of funds
- Conduct foundation governance and compliance reviews

### **FAMILY GOVERNANCE**

The Registrant has experience advising wealthy families. The Registrant brings this expertise to the design and implementation of a family governance system. The Registrant's services may include:

- Assist in drafting a Family Constitution to govern wealth management philosophies and transfer strategies
- Facilitate multi-generational Family Meetings
- Offer financial Education, Training & Mentoring for younger generations to ensure age-appropriate understanding of financial literacy and wealth management issues
- Provide objective counsel in matters requiring Conflict Resolution

### **FINANCIAL PLANNING AND CONSULTING SERVICES**

The Registrant may provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone separate fee basis. Registrant's planning and consulting services are offered on a fixed fee basis. The Registrant may also be engaged by a client to complete a project separate and apart from the Registrant's core services.

Prior to engaging the Registrant to provide planning or consulting services, clients are generally required to enter into a *Financial Planning and Consulting Agreement* with Registrant setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee

that is due from the client prior to Registrant commencing services. If requested by the client, Registrant may recommend the services of other professionals for implementation purposes. 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.

If the client engages any recommended unaffiliated professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. At all times, the engaged licensed professional[s] (i.e., attorney, accountant, insurance agent, etc.), and not the Registrant, shall be responsible for the quality and competency of the services provided.

It remains the client's responsibility to promptly notify the Registrant if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising Registrant's previous recommendations and/or services.

### **IMPORTANT DISCLOSURES**

**Limitations of Financial Planning and Non-Investment Consulting/Implementation Services.** To the extent requested by a client, Registrant may provide financial planning and related consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. The Registrant does not serve as a law firm or an accounting firm and no portion of Registrant's services should be construed as legal or accounting services. Accordingly, Registrant does not prepare estate planning documents or tax returns.

To the extent requested by a client, Registrant may recommend the services of other professionals for certain non-investment implementation purposes (i.e., attorneys, accountants, insurance agents, etc.). Clients are reminded that they are 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 made by Registrant or its representatives.

If the client engages any recommended unaffiliated professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. At all times, the engaged licensed professional[s] (i.e., attorney, accountant, insurance agent, etc.), and not the Registrant, shall be responsible for the quality and competency of the services provided.

**Structured Notes.** The Registrant may purchase structured notes for client accounts. A structured note is a financial instrument that combines two elements, a debt security and exposure to an underlying asset or assets. It is essentially a note, carrying counter party risk of the issuer. However, the return on the note is linked to the return of an underlying asset or assets (such as the S&P 500 Index or commodities). It is this latter feature that makes structured products unique, as the payout can be used to provide some degree of principal protection, leveraged returns (but usually with some cap on the maximum return), and be tailored to a specific market or economic view. In addition, investors may receive long-term capital gains tax treatment if certain underlying conditions are met and the note is held for more than one year. Finally, structured notes may also have liquidity constraints, such that the sale thereof before maturity may be limited.

**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). The Registrant does not make recommendations concerning rollovers. No client is under any obligation to roll over retirement plan assets to an account managed by Registrant.

**Independent Managers.** The Registrant may allocate (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). In such situations, the Independent Managers shall have day-to-day responsibility for the active discretionary management of the allocated assets. The Registrant shall continue 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 which the Registrant shall consider in recommending Independent Managers include the client’s designated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research. The investment management fee charged by the Independent Manager(s) is included in the Registrant’s investment advisory fee.

**Comprehensive Reporting.** The Registrant, in conjunction with the services provided by other professionals and/or services, may also provide periodic comprehensive reporting services which can incorporate all of the client’s investment assets, including those investment assets that are not part of the assets managed by the Registrant (the “Excluded Assets”). The client and/or their other advisors that maintain trading authority, and not the Registrant, shall be exclusively responsible for the investment performance of the Excluded Assets. The Registrant’s service relative to the Excluded Assets is limited to reporting and non-discretionary consulting services only, which does not include investment implementation. The Registrant does not have trading authority for the Excluded Assets. As such, to the extent applicable to the nature of the Excluded Assets (assets over which the client maintains trading authority vs. trading authority designated to another investment professional), the client (and/or the other investment professional), and not the Registrant, shall be exclusively responsible for directly implementing any recommendations relative to the Excluded Assets. The Registrant shall not be responsible for any implementation error (timing, trading, etc.) relative to the Excluded Assets. In the event the client desires that the Registrant provide non-discretionary investment management services (whereby the Registrant would have trading authority) with respect to the Excluded Assets, the client may engage the Registrant to do so pursuant to the terms and conditions of the *Investment Advisory Agreement* between the Registrant and the client.

**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 their responsibility to promptly notify the Registrant if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising Registrant’s previous recommendations and/or services.



**Cash Positions.** Registrant continues to treat cash as an asset class. As such, unless determined to the contrary by Registrant, all cash positions (money markets, etc.) shall continue to be included as part of assets under management for purposes of calculating Registrant's advisory fee. At any specific point in time, depending upon perceived or anticipated market conditions/events (there being no guarantee that such anticipated market conditions/events will occur), Registrant may maintain cash positions for defensive purposes. In addition, while assets are maintained in cash, such amounts could miss market advances. Depending upon current yields, at any point in time, Registrant's advisory fee could exceed the interest paid by the client's money market fund.

**Cash Sweep Accounts.** Certain account custodians can require that cash proceeds from account transactions or new deposits, be swept to and/or initially maintained in a specific custodian designated sweep account. The yield on the sweep account will generally be lower than those available for other money market accounts. When this occurs, to help mitigate the corresponding yield dispersion Registrant shall (usually within 30 days thereafter) generally (with exceptions) purchase a higher yielding money market fund (or other type security) available on the custodian's platform, unless Registrant reasonably anticipates that it will utilize the cash proceeds during the subsequent 30-day period to purchase additional investments for the client's account. Exceptions and/or modifications can and will occur with respect to all or a portion of the cash balances for various reasons, including, but not limited to the amount of dispersion between the sweep account and a money market fund, the size of the cash balance, an indication from the client of an imminent need for such cash, or the client has a demonstrated history of writing checks from the account.

The above does not apply to the cash component maintained within a Registrant actively managed investment strategy (the cash balances for which shall generally remain in the custodian designated cash sweep account), an indication from the client of a need for access to such cash, assets allocated to an unaffiliated investment manager and cash balances maintained for fee billing purposes.

The client shall remain exclusively responsible for yield dispersion/cash balance decisions and corresponding transactions for cash balances maintained in any Registrant unmanaged accounts.

**Cryptocurrency.** For clients who want exposure to cryptocurrencies, including Bitcoin, Registrant, will advise the client to consider a potential investment in corresponding exchange traded securities or private funds that provide cryptocurrency exposure. Crypto is a digital currency that can be used to buy goods and services, but uses an online ledger with strong cryptography (i.e., a method of protecting information and communications through the use of codes) to secure online transactions. Unlike conventional currencies issued by a monetary authority, cryptocurrencies are generally not controlled or regulated and their price is determined by the supply and demand of their market. Because cryptocurrency is currently considered to be a speculative investment, Registrant will not exercise discretionary authority to purchase a cryptocurrency investment for client accounts. Rather, a client must expressly authorize the purchase of the cryptocurrency investment. Registrant does not recommend or advocate the purchase of, or investment in, cryptocurrencies. Registrant considers such an investment to be speculative. Clients who authorize the purchase of a cryptocurrency investment must be prepared for the potential for liquidity constraints, extreme price volatility and complete loss of principal.

**Cybersecurity Risk.** The information technology systems and networks that Registrant and its third-party service providers use to provide services to Registrant's clients employ various controls, which are designed to prevent cybersecurity incidents stemming from intentional or unintentional actions that could cause significant interruptions in Registrant's operations and result in the unauthorized acquisition or use of clients' confidential or non-public personal information. Clients and Registrant are nonetheless subject to the risk of cybersecurity incidents that could ultimately cause them to incur losses, including for example: financial losses, cost and reputational damage to respond to regulatory obligations, other costs associated with corrective measures, and loss from damage or interruption to systems. Although Registrant has established procedures to reduce the risk of cybersecurity incidents, there is no guarantee that these efforts will always be successful, especially considering that Registrant does not directly control the cybersecurity measures and policies employed by third-party service providers. Clients could incur similar adverse consequences resulting from cybersecurity incidents that more directly affect issuers of securities in which those clients invest, broker-dealers, qualified custodians, governmental and other regulatory authorities, exchange and other financial market operators, or other financial institutions.

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

- C. The Registrant shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment 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 does not participate in a wrap fee program.
- E. As of December 31, 2023, the Registrant had \$0 in assets under management on a discretionary basis.

## **Item 5            Fees and Compensation**

A.

### **INVESTMENT MANAGEMENT**

Registrant provides investment advisory services on a discretionary *fee* basis. Registrant's annual investment advisory fee shall vary (generally, between negotiable and 0.75%) based upon various factors, including the total amount of assets placed under management/advisement.

Registrant's investment advisory fee is negotiable at its discretion, depending upon objective and subjective factors including but not limited to: the amount of assets to be managed; portfolio composition; the scope and complexity of the engagement; the anticipated number of meetings and servicing needs; related accounts; future earning capacity; anticipated future additional assets; the professional(s) rendering the service(s);

prior relationships with Registrant and/or its representatives, and negotiations with the client. As a result of these factors, similarly situated clients could pay different fees, the services to be provided by Registrant to any particular client could be available from other advisers at lower fees, and certain clients may have fees different than those specifically set forth above.

### **FINANCIAL PLANNING AND CONSULTING SERVICES**

Registrant's planning and consulting services are offered on a fixed fee basis. The Registrant's planning and consulting fees are negotiable, but generally begin at \$10,000. The Registrant's fixed fee shall be based upon the level and scope of the service(s) required and the professional(s) rendering the service(s). The Registrant may also be engaged by a client to complete a project separate and apart from the Registrant's core services, in these instances the Registrant's planning and consulting fee shall generally range from \$10,000 to \$50,000 on a negotiated fixed fee or hourly basis.

- B. Clients may elect to have the Registrant's advisory fees deducted from their custodial account. Both Registrant's *Investment Advisory Agreement* and the custodial/clearing agreement 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.
- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, the Registrant shall generally recommend that Fidelity Investments ("*Fidelity*"), serves as the broker-dealer/custodian for client investment management assets.

Broker-dealers such as *Fidelity* charge brokerage commissions, transaction, and/or other type fees for effecting certain types of securities transactions (i.e., including transaction fees for certain mutual funds, and mark-ups and mark-downs charged for fixed income transactions, etc.). The types of securities for which transaction fees, commissions, and/or other type fees (as well as the amount of those fees) shall differ depending upon the broker-dealer/custodian. While certain custodians, including *Fidelity*, generally (with the potential exception for large orders) do not currently charge fees on individual equity transactions (including ETFs), others do.

There can be no assurance that *Fidelity* will not change their transaction fee pricing in the future.

*Fidelity* may also assess fees to clients who elect to receive trade confirmations and account statements by regular mail rather than electronically.

Clients will incur, in addition to Registrant's investment management fee, brokerage commissions and/or transaction fees, and, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses)

- D. Registrant's annual investment advisory fee shall be prorated and paid quarterly, in arrears, based upon the average daily balance of the client's managed accounts during the preceding quarter.

The *Investment Advisory Agreement* between the Registrant and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, the Registrant shall debit the client's account for the pro-rated portion of the unpaid advisory fee based upon the number of days that services were provided during the final billing quarter.

- E. Neither the Registrant, nor its representatives accept compensation from the sale of securities or other investment products.

## **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 ultra-high-net-worth families and charitable organizations.

## **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)

**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). Investing in securities involves an inherent risk of loss that clients should be prepared to bear.

Investors generally face the following types of investment risks:

- Interest-rate Risk: Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.

- Market Risk: The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk may be caused by external factors independent of the fund's specific investments as well as due to the fund's specific investments. Additionally, each security's price will fluctuate based on market movement and emotion, which may, or may not be due to the security's operations or changes in its true value. For example, political, economic and social conditions may trigger market events which are temporarily negative, or temporarily positive.
- Inflation Risk: When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- Reinvestment Risk: This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e., interest rate). This primarily relates to fixed income securities.
- Liquidity Risk: Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- Financial Risk: Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

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 primarily allocates client investment assets among various individual equity (stocks), debt (bonds) and fixed income securities, mutual funds and/or

ETFs, independent managers and structured notes on a discretionary basis in accordance with the client's designated investment objective(s).

**Borrowing Against Assets/Risks.** A client who has a need to borrow money could determine to do so by using:

- **Margin**-The account custodian or broker-dealer lends money to the client. The custodian charges the client interest for the right to borrow money, and uses the assets in the client's brokerage account as collateral; and,
- **Pledged Assets Loan**- In consideration for a lender (i.e., a bank, etc.) to make a loan to the client, the client pledges its investment assets held at the account custodian as collateral;

These above-described collateralized loans are generally utilized because they typically provide more favorable interest rates than standard commercial loans. These types of collateralized loans can assist with a pending home purchase, permit the retirement of more expensive debt, or enable borrowing in lieu of liquidating existing account positions and incurring capital gains taxes. However, such loans are not without potential material risk to the client's investment assets. The lender (i.e., custodian, bank, etc.) will have recourse against the client's investment assets in the event of loan default or if the assets fall below a certain level. For this reason, Registrant does not recommend such borrowing unless it is for specific short-term purposes (i.e., a bridge loan to purchase a new residence). Registrant does not recommend such borrowing for investment purposes (i.e., to invest borrowed funds in the market).

## **Item 9           Disciplinary Information**

Neither the Registrant nor any management person of the Registrant has been the subject of any disciplinary actions.

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

- A. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a 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. **Licensed Insurance Agents.** Certain of the Registrant's representatives, in their individual capacities, are licensed insurance agents. These individuals may recommend the purchase of certain insurance-related products on a commission basis. As referenced in Item 4.B above, clients can engage certain of Registrant's representatives to purchase insurance products on a commission basis.

**Conflict of Interest:** The recommendation by representatives of the Registrant that a client purchase an insurance commission product presents a conflict of interest, as the receipt of commissions may provide an incentive to recommend insurance products based on commissions to be received, rather than on a particular client's need. No client is under any

obligation to purchase any commission products from representatives of the Registrant. Clients are reminded that they may purchase insurance products recommended by Registrant through other, non-affiliated insurance agents.

- 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 conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if the Registrant did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of the Registrant's clients) and other potentially abusive practices.

The Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Registrant's "Access Persons". The Registrant's securities transaction policy requires that an Access Person of the Registrant must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date the Registrant selects; 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 conflict of interest. As indicated above in Item 11.C, the Registrant has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Registrant's Access Persons.

## **Item 12 Brokerage Practices**

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

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

### **1. Research and Additional Benefits**

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



As indicated above, certain of the support services and/or products that *may* be received may assist the Registrant in managing and administering client accounts. Others do not directly provide such assistance, but rather assist the Registrant to manage and further develop its business enterprise. The Registrant *may* have an incentive to select or recommend a broker-dealer based on its interest in receiving research or other products or services, rather than on our client's interest in receiving the most favorable execution.

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.

2. The Registrant does not receive referrals from broker-dealers.
3. The Registrant does not generally accept directed brokerage arrangements (when a client requires that account transactions be affected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Registrant will not seek better execution services or prices from other broker-dealers or be able to “batch” the client's transactions for execution through other broker-dealers with orders for other accounts managed by Registrant. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

In the event that the client directs Registrant 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 may be available through Registrant. Higher transaction costs adversely impact account performance.

Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

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

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

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

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

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

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

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

- B. Neither the Registrant nor any management person of the Registrant compensates, directly or indirectly, any non-supervised person for client referrals.

### **Item 15            Custody**

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

To the extent that the Registrant provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by the Registrant with the account statements received from the account custodian.

The account custodian does not verify the accuracy of the Registrant's advisory fee calculation. Clients should carefully review statements received from their custodian.

The Registrant provides other services on behalf of its clients that require disclosure at ADV Part 1, Item 9. In particular, certain clients have signed asset transfer authorizations that permit the qualified custodian to rely upon instructions from the Registrant to transfer client funds to “third parties.” In accordance with the guidance provided in the SEC Staff’s February 21, 2017 Investment Adviser Association No-Action Letter, the affected accounts are not subjected to an annual surprise CPA examination.

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

The client can determine to engage the Registrant to provide investment advisory services on a discretionary basis. Prior to the Registrant assuming discretionary authority over a client’s account, the client shall be required to execute an *Investment Advisory Agreement*, naming the Registrant as the client’s attorney and agent in fact, granting the Registrant full authority to buy, sell, or otherwise effect investment transactions (thereby effecting the amount of a particular security in the client’s account) involving the assets (securities) in the client’s name found in the discretionary account.

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

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

- A. The Registrant does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially 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.