



## **Sage Stone Wealth Management LLC**

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Form ADV Part 2A Firm Brochure  
March 29, 2024

This brochure provides information about the qualifications and business practices of Sage Stone Wealth Management LLC. If you have any questions about the contents of this brochure, please contact our Chief Compliance Officer at (858) 412-6404.

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or any state securities administrator. Additional information about Sage Stone Wealth Management LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Click on the "Investment Adviser Search" link and then search for "Investment Adviser Firm" using the firm's IARD number, which is 155477.

While the firm and its associates can be notice filed and/or registered within a particular jurisdiction, it does not imply a certain level of skill or training on the part of the firm or its associated personnel.

**Item 1 – Cover Page**

Please see the previous page.

**Item 2 - Material Changes**

Sage Stone Wealth Management LLC is amending this Brochure dated March 27, 2024, to reflect the following changes:

*Item 4 – Advisory Business* – updated to reflect the Firm's assets under management amounts as of December 31, 2023.

The previous version of this Brochure was dated March 31, 2023. The Firm encourages each client to read the current version of this Brochure carefully and to call us with any questions.

Pursuant to federal regulation, the Firm will ensure that clients receive a summary of any materials changes to this Brochure within 120 days of the close of the Firm's fiscal year-end. Additionally, as the Firm experiences material changes in the future, we will send you a summary of our "Material Changes" under separate cover. For more information about the firm, please contact us at (858) 412-6404.

Additional information about Sage Stone Wealth Management LLC and its investment adviser representatives is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### **Item 3 - Table of Contents**

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### **Important Information**

Throughout this document, Sage Stone Wealth Management LLC shall also be referred to as “the firm,” “firm,” “our,” “we” or “us.” The client or prospective client will be referred to as “you,” “your,” etc., and refers to a client engagement involving a single *person* as well as two or more *persons* and can refer to natural persons and legal entities. The term “advisor” and “adviser” are used interchangeably where accuracy in identification is necessary (i.e., internet address, etc.).

## **Item 4 - Advisory Business**

### **Description of the Firm**

Sage Stone Wealth Management LLC is a California-domiciled limited liability company and registered investment advisor with the Securities and Exchange Commission ("SEC"). Our firm is not a subsidiary of, nor does it control, another industry entity. In addition to its original registration in 2010, the firm and its associates can notice-file, register or meet certain exemptions to registration in jurisdictions in which investment advisory business is conducted.

Mary Naber is the majority owner of Sage Stone Wealth Management LLC and serves as the firm's President and Chief Compliance Officer. Michael Lopez is a minority owner and serves as the Vice President. Further information about Ms. Naber and Mr. Lopez can be found in their respective brochure supplement (Form ADV Part 2B), which is delivered to new clients and available upon request.

### **Description of Advisory Services Offered**

Sage Stone Wealth Management LLC provides a range of solutions to its clients. An initial complimentary interview is conducted by a firm representative to discuss your current situation and objectives so that we can determine the scope of services that can be provided to you. During or prior to your first meeting, we will provide you with our current Form ADV Part 2A firm brochure, Form CRS (for retail clients), and privacy policy statement, and you will receive a brochure supplement (Form ADV Part 2B) about the investment advisor representative who will be assisting you.

Should you wish to engage our firm for its services, you must first execute our written agreement; thereafter, discussion and analysis will be conducted to determine your financial situation, goals, risk tolerance, and ethical concerns. Depending on the scope of the engagement, we can require current copies of the following documents early in the process:

- Wills, codicils, and trusts
- Insurance policies
- Mortgage information
- Tax returns
- Current financial specifics including W-2s or 1099s
- Information on current retirement plans and benefits provided by your employer
- Information on government benefits such as a Social Security statement
- Statements reflecting current investments in retirement and non-retirement accounts
- Employment or other business agreements you have in place
- Completed risk profile questionnaires or other forms provided by our firm

It is important that we are provided with an adequate level of information and supporting documentation throughout the term of the engagement including but not limited to: source of funds, income levels, and an account holder or attorney-in-fact's authority to act on behalf of the account, among other information that we deem necessary for our services. The information and/or financial statements provided to us need to be accurate. We do not assume responsibility for the accuracy of the information you provide, and we are not obligated to verify any information received from you or from any of your other professionals (*e.g.*, attorney, accountant, etc.). Under all circumstances, you are responsible for promptly notifying us in writing of any material changes to your objectives, risk tolerance, time horizon, and financial goals. In the event you notify us of any changes, we will review such changes and implement any necessary revisions to your portfolio.

### ***Comprehensive Portfolio Management***

Our Comprehensive Portfolio Management service encompasses asset management as well as providing financial planning consulting to clients. It is designed to assist clients in meeting their financial goals through the use of investments in securities. We conduct at least one, but sometimes more than one meeting (in person, if possible, otherwise via telephone conference) with clients in order to understand their current financial situation, goals, risk tolerance, and ethical concerns. Based on what we learn, we will propose an investment approach to the client. We will generally recommend an investment portfolio consisting of exchange-traded funds (ETFs), mutual funds, individual stocks or bonds, or other securities. At times, we also employ alternative or riskier strategies, such as the use of margin. However, please note that using margin is not suitable for all investors; the use of margin increases leverage in a client's account and therefore increases overall risk. Please review these considerations carefully with us prior to investing. Please refer to Item 8 below for detailed information regarding the risks surrounding investments.

Upon the client's agreement to the proposed investment plan, we work with the client to establish or transfer investment accounts so that we can manage the client's portfolio. Once the relevant accounts are under our management, we review such accounts on a regular basis and at least quarterly. We periodically rebalance or adjust client accounts under our management. If the client experiences any significant changes to his/her financial or personal circumstances, the client must notify us so that we can consider such information in managing the client's investments.

### ***Separate Account Managers***

We utilize separate account managers, where we design an investment portfolio and provide ongoing corresponding Comprehensive Portfolio Management services on a fee-only basis for a percentage of assets in conjunction with another investment advisory firm. Before selecting other advisors, we make sure that the other advisors are properly licensed or registered within your jurisdiction. We pay compensation to separate account managers for services rendered by these firms to our clients as well as our firm. This compensation is typically equal to a percentage of the overall investment advisory fee charged by our firm or an agreed upon fixed fee. The advisory fee paid to separate account managers shall be negotiable in certain circumstances but shall never exceed the overall amount in our published fee statement (usually 25% to 50% of the overall advisory fee is paid to the separate account managers for their services).

### ***Financial Planning Consultations***

We provide a variety of financial planning consultation services to individuals, families, and other clients regarding the management of their financial resources based upon an analysis of the client's current situation, goals, and objectives. Generally, such financial planning services will involve rendering one or more financial consultations for clients based on the client's financial goals and objectives. This consulting can encompass one or more of the following areas:

- Investment Planning
- Retirement Planning
- Estate Planning
- Charitable Gift Planning
- Education Planning
- Real Estate Analysis
- Ethical Values Investing
- Mortgage/Debt Analysis
- Insurance Analysis
- Lines of Credit Evaluation
- Business and Personal Financial Planning
- Strategic Cash Management
- Mortgage/Debt Analysis
- Insurance Analysis

Our financial consultations usually include general recommendations for a course of activity or specific actions to be taken by the clients. For example, recommendations can be made that the clients begin or revise investment programs, create or revise wills or trusts, obtain or revise insurance coverage, commence or alter retirement savings, or establish educational accounts or charitable giving programs.

Consultations are typically completed within six months of the client signing a contract with us, assuming that all the information and documents we request from the client are provided to us promptly. At no time will we charge you \$1,200 or more, six months or more in advance of us performing our services.

Financial planning clients are not under any obligation to implement any recommendations we provide, with us or with any other firm. Clients always have the right to decide whether to act upon any financial planning recommendations and may follow or disregard, wholly or in part, any information, recommendation, or advice provided by our Firm. Should a client decide to follow our recommendations, typically the investment management services are offered through us pursuant to a client's request. If a client who utilizes our Financial Planning Consultation Services chooses to utilize our Comprehensive Portfolio Management Service within three months of engaging us for a financial consultation, the fee for our Financial Planning Consultation Service shall be credited against our fee for Comprehensive Portfolio Management Services. However, clients should be aware that the firm has a conflict of interest when making certain recommendations since the firm will receive fees should the client implement such recommendations through us.

Financial planning recommendations are based on the client's financial situation at the time the recommendations are provided and are based on the information provided by the client. In addition, certain assumptions shall be made with respect to interest and inflation rates, use of past trends and performance of the market and economy. Past performance is in no way an indication of future performance and we cannot offer any guarantees or promises that your financial goals and objectives will be met. As your financial situation, goals, risk tolerance, and ethical concerns change, you are strongly urged to promptly notify us. For more information on the risks associated with investing, please refer to Item 8, below. You always have the right to accept or reject any or all recommendations we provide. Should you decide to act on such recommendations, you always have the right to decide with whom you choose to do so.

Importantly, as part of our fiduciary duty to clients, the firm and our representatives endeavor at all times to put the interests of the clients first, and recommendations are only made to the extent that we reasonably believe that they are in the best interests of the client. Additionally, the conflicts related to our services are disclosed by us to new clients through the delivery of the firm's disclosure brochures (Form ADV Part 2A and Part 2Bs).

#### ***Sub-Adviser Services***

From time to time, we will enter into an agreement with unaffiliated third-party investment advisers ("Third-Party Adviser") to serve as sub-adviser and provide investment management services to their clients.

Under such arrangements, the Third-Party Adviser appoints our firm as sub-adviser to act as their agent and attorney-in-fact, and delegates to us limited power and authority and discretion to buy, sell or otherwise effect transactions for certain of their clients' accounts. The investment management services will be provided in accordance with the investment objectives and policies of each Third-Party Adviser client, and subject to any restrictions applicable to the client's account, as communicated in writing by the Third-Party Adviser to our firm. The Third-Party Adviser will be responsible for promptly forwarding to us in writing any and all changes to such investment objectives, policies, and restrictions.

At the reasonable request of the client or the Third-Party Adviser, representatives of our firm will from time-to-time participate in periodic consultations by telephone with a client regarding management and performance of their account.

#### ***Investment Policy Statement Creation and Review***

We shall write and/or revise an Investment Policy Statements (IPS) for various foundations or other types of clients. An IPS is a document, generally between a client and an investment advisor, recording the agreements the two parties come to with regard to issues relating to how an investor's account is to be managed. In other cases, an IPS can also be created by an investment committee (e.g., those charged with making investment

decisions for an endowment or pension plan) to help establish and record its own policies in order to assist in future decision-making or to help maintain consistency of its policies by future committee members or to clarify expectations for prospective investment advisors who are hired by the committee.

The presence of an IPS helps to clearly communicate to relevant parties the procedures, investment philosophy, guidelines, and restrictions to be adhered to by the parties. It can be seen as a directive from the client to the investment advisor about how the money is to be managed, but at the same time the IPS should provide guidelines for all investment decisions and responsibilities of each party.

### ***Portfolio Monitoring***

Our Portfolio Monitoring Service provides for periodic reviews but does not allow for trade execution or discretion with respect to securities transactions. Clients are responsible for placing and executing their own trades, either on their own or through another investment advisor.

### Client-Tailored Services and Client-Imposed Restrictions

We offer investment advice to clients utilizing the following services:

- Comprehensive Portfolio Management
- Separate Account Management Services
- Financial Planning Consultations
- Sub-Adviser Services
- Investment Policy Statement Creation and Review
- Portfolio Monitoring

We encourage clients to impose reasonable and clear restrictions on investing in certain securities or types of securities or industries based on their ethical values. For example, clients can express moral or social based objections to investing in certain companies or industries.

### Wrap Fee Programs

We do not offer or participate in any wrap programs at this time.

### Client Assets Under Management

As of December 31, 2023, our firm had approximately \$198,749,251 of reportable client assets under management; \$192,945,783 on a discretionary basis, and \$5,803,468 on a nondiscretionary basis (defined in Item 16).

### General Information

We do not provide legal, tax, or accounting services. With your consent, we will work with your other advisors (attorneys, accountant, etc.) to assist with coordination and implementation of accepted strategies. You should be aware that these other advisors will charge you separately for their services and these fees will be in addition to our advisory fees.

Our firm will use its best judgment and good faith effort in rendering its services. Sage Stone Wealth Management LLC cannot warrant or guarantee any particular level of account performance or that your account will be profitable over time. Past performance is not necessarily indicative of future results.

Federal and state securities laws impose liabilities under certain circumstances on persons who act in good faith and, therefore, nothing contained in this document shall constitute a waiver of any rights that a client has under federal and state securities laws.

## **Item 5 - Fees and Compensation**

### **Method of Compensation and Fee Schedule**

#### ***Comprehensive Portfolio Management***

Our firm's management fee for Comprehensive Portfolio Management will be based on the market value (including cash and cash equivalents) of a client's assets under management and will be calculated at up to one percent (1%) of all a client's assets under our firm's management. This fixed percentage -fee will be determined by examining such factors as the aggregate amount of client assets managed by our firm, the scope of services to be performed, the relative complexity of the client's situation, the anticipated use of our resources, and the nature and frequency of periodic meetings and portfolio reviews, among other factors. The client's exact fee percentage shall be explicitly stated in the advisory agreement or an attachment thereof prior to services being provided. Our management fee is billed on a prorated, annualized basis and will be billed quarterly, in arrears, based on the total market value of your account on the last reportable market day of the previous quarter.

Certain "legacy clients" are billed in accordance with fee and billing schedules that vary from the current schedules disclosed above as part of this Brochure. Some legacy clients are billed a lower fee than the current schedules. Legacy clients include those clients who held a relationship to the firm's majority owner, Ms. Mary Naber, prior to November 05, 2010. Exact fees and billing arrangements for such legacy clients are disclosed in each legacy client's respective client agreement.

#### ***Separately Managed Accounts***

In addition to and separate from the advisory fees charged by Sage Stone Wealth Management LLC, as referenced above, the client will be responsible for advisory fees charged by the Separate Account Managers, as well as custody and clearing fees charged by the account custodian. Please refer to the appropriate disclosure brochure for the Separate Account Manager, as well as the related advisory agreements and account opening paperwork for more information regarding the fees and compensation.

#### ***Financial Planning Consultations***

We charge on an hourly basis for financial consultation services. The total estimated fee, as well as the ultimate fee that we charge you, is based on the scope and complexity of our engagement with you. Our hourly fee is \$250, and we bill in six-minute increments (10 increments per hour); partial increments will be treated as a whole increment. We bill quarterly in arrears and send an invoice to financial planning clients.

#### ***Sub-Adviser Services***

Third-Party Advisers that engage our firm for sub-adviser services will pay our firm compensation. The compensation is usually a percentage fee based on the amount of total assets we manage under our sub-advisory arrangement.

#### ***Investment Policy Statement Creation and Review***

We charge between \$5,000 and \$25,000 for the creation of a new Investment Policy Statement or the review of an existing one unless we are providing the creation and review as part of our investment management services. When providing this as a stand-alone service, we will bill the client directly.

#### ***Portfolio Monitoring***

Our firm's annual fee for Portfolio Monitoring Services is based on the market value of assets in the portfolio and calculated at up to 0.50% (50 basis points). The annual fee is billed quarterly, in arrears, based on the value of the portfolio being monitored on the last reportable market day of the quarter. We send an invoice directly to the client.



***Aggregation of Accounts for Purposes of Fees***

In determining the client's fixed percentage management fee, we typically aggregate asset-based accounts for the same individual or two or more accounts within the same family, or accounts where a family member has power of attorney over another family member's or incompetent person's account. We reserve the right to apply our fee schedule separately to each account if investment objectives are substantially different for any two or more household accounts and requiring different investment approaches or operational requirements.

***Discounting of Advisory Fees***

The services to be provided and their specific fees will be detailed in each engagement agreement. Our published fees can be discounted by our firm at our sole discretion, but they are not negotiable. In addition, for family and friends of the firm, we have in the past and can in the future, in our sole discretion, reduce or waive fees in their entirety.

Client Payment of Fees***Comprehensive Portfolio Management***

Our firm's fees are billed on a prorated, annualized basis that is paid quarterly in arrears. Accounts will be assessed in accordance with asset values disclosed on the statement the client will receive from the custodian of record for the purpose of verifying the computation of the advisory fee. In the rare absence of a reportable market value, our firm can seek a third-party opinion from a recognized industry source (e.g., unaffiliated public accounting firm), and you can choose to separately seek such an opinion at your own expense as to the valuation of "hard-to-price" securities if necessary.

Fees will generally be deducted from your account by your custodian and paid to us.. In rare cases, we will agree to directly bill clients. The withdrawal of these fees will be accomplished by the selected custodian, not by our firm, and the custodian will remit our fees to our firm. By signing our firm's advisory agreement as well as the custodian account opening documents, you will be authorizing the withdrawal of our advisory fees from your account. All fees deducted will be clearly noted on account statements that you will receive directly from the custodian of record on a quarterly or more frequent basis. Should you open or terminate an account during a quarter, our fee will be prorated based on the number of days the account was open during the quarter. Our firm does not adjust fees for additions or withdrawals.

***Financial Planning Consultations***

Fees are due upon receipt of the firm's invoice for services rendered.

Additional Client Fees

Our management fees do not include third-party fees, including custodian fees, brokerage fees, retirement plan administration fees, odd-lot differential fees, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes. A client's managed account that is invested in mutual funds and ETFs will be subject to certain fees and expenses, which are imbedded in the price of the mutual fund or ETF. Mutual funds can also charge a distribution (12b-1 fee), and in some cases, a front-end load (commission) or deferred sales or surrender/redemption charges. In addition, some open-end mutual funds offer different share classes of the same fund, and one share-class can have higher expenses and fees than another share class. The most economical share class is dependent on several factors, including but not limited to the amount of time the shares are held by a client and the amount a client will be investing. Mutual fund expenses and fees vary by mutual fund, so it is important to read the mutual fund prospectus to fully understand all applicable fees and expenses.

Further information about our fees in relationship to our business practices is noted in Items 12 and 14 of this document.

As mentioned above, there are times when margin strategies will be employed as part of a client's portfolio account. We only use the "net asset value" of the client's margin accounts for determining fees. Thus, fees are only charged on the amount of assets in the underlying client account, not the margin portion of the account.

All fees and costs that are charged to a managed account will lower the account's overall performance. Clients should carefully review all third-party fees, together with the fees charged by our firm to fully understand the total amount of fees to be paid and fully evaluate the services provided. Clients should be aware that lower fees for advisory services may be available elsewhere.

#### External Compensation for the Sale of Securities to Clients

Our firm does not charge or receive a commission or a mark-up on securities transactions, nor will the firm or an associate be paid a commission on the purchase of a securities holding that is recommended to a client. We do not receive "trailer" or SEC Rule 12b-1 fees from an investment company recommended to a client. Fees charged by such issuers are detailed in prospectuses or product descriptions and interested investors are always encouraged to read these documents before investing. Our firm and its associates receive none of these described or similar fees or charges. You retain the option to purchase recommended or similar investments through your own selected service provider.

#### Termination of Services

Either party can terminate the agreement at any time by communicating the intent to terminate in writing. If you verbally notify our firm of the termination and, if in two business days following this notification we have not received your notice in writing, we will make a written notice of the termination in our records and send you our own termination notice as a substitute. Sage Stone Wealth Management LLC will not be responsible for investment allocation, advice, or transactional services (except for limited closing transactions) upon receipt of a termination notice. It will also be necessary that we inform the custodian of record that the relationship between parties has been terminated.

Should you terminate an engagement after this date, you will be assessed fees for any time or charges incurred by our firm in the preparation of your plan or investment allocation, and/or the number of days your investment account had been under the firm's supervision.

The firm will return any prepaid, unearned fees within 30 days of the firm's receipt of termination notice. Earned fees in excess of any prepaid deposit will be billed at the time of termination and will be due upon receipt of our invoice. Our return of payment to a client for a planning service will only be completed via check from our firm's US-based financial institution; no credits or "transaction reversals" will be issued. We will only coordinate remuneration of prepaid asset-based fees to an investment account via the account custodian. Return of prepaid fees will never involve a personal check, cash, or money order from our firm or from an associate of our firm.

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

Our fees will not be based upon a share of capital gains or capital appreciation (growth) of any portion of managed funds, also known as "performance-based fees." Our fees will not be based on side-by-side management, which refers to a firm simultaneously managing accounts that do pay performance-based fees (such as a hedge fund) and those that do not; this type of arrangement, and the conflict of interest it poses, does not conform to our firm's practices.

#### Item 7 - Types of Clients

We provide our advisory services to individuals, high net worth individuals, charitable organizations and foundations, pension and profit-sharing plans, and we also offer our services to businesses of various scale. We require a minimum account balance of \$250,000 for our Comprehensive Portfolio Management Services, as well as a minimum fixed fee of \$5,000 for our Investment Policy Statement Creation and Review Services.

We reserve the right to waive or reduce certain fees based on unique individual circumstances, special arrangements, or pre-existing relationships. We also reserve the right to decline services to any prospective client for any non-discriminatory reason.

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

### **Methods of Analysis and Investment Strategies**

#### ***Method of Analysis***

We employ a fundamental analysis methodology; evaluating economic factors including interest rates, the current state of the economy, or the future growth of an industry sector. In addition to our own research, the firm's recommendations are also drawn from research sources that include corporate rating services, investment analysis and reporting software, materials from economists and other industry professionals; company press releases, annual reports, prospectuses, and regulatory filings. We make asset allocation and investment policy decisions based on these and other factors. We will discuss with you how, in our best judgment, to meet your objectives while concurrently seeking a prudent level of risk exposure.

#### ***Investment Strategies***

We recognize that each client's needs and goals are different; consequently, portfolio strategies and underlying investment vehicles will vary. Depending on the client's situation, a portfolio can include a combination of more than one of the following strategies.

A client's portfolio can be composed of ethically screened mutual funds that best reflect their social/moral values. Portfolios are made up of individual stocks, screened for the client's ethical concerns, and based or modeled after common global indexes such as the S&P 100 Global Index. When we "screen" portfolios, we are intentionally avoiding investment in those companies that are not aligned with each client's individual values. With this indexing strategy of individual stocks, we provide active management in the adjustment of holdings to potentially more promising sectors to improve portfolio performance or reduce risk during uncertain times in the market.

Other client portfolio strategies include an "Inflation Hedged Strategy" which utilizes treasury inflation-protected securities (TIPS), natural resources, energy, precious metals, and real estate investment trusts (REITs).

Our "Dividend Strategy" focuses on maximizing cash flow from master limited partnerships (MLPs), preferred stocks, and defensive, value-oriented dividend sectors such as utilities, energy, consumer staples, REITs, and telecommunication.

We generally invest clients' cash/fixed-income allocation into money market funds, FDIC-insured<sup>1</sup> certificates of deposits (CDs), investment-grade bonds, and US Treasuries. In many instances a client account could have a partial "cash balance" maintained in a money market account so that our firm can debit its advisory fees for those services related to Comprehensive Portfolio Management and Separate Account Management.

### **Investment Strategy and Method of Analysis Material Risks**

#### ***Investment Strategy Risks***

We believe our strategies and investment recommendations are designed to produce the appropriate potential return for the given level of risk; however, we cannot guarantee that an investment objective or planning goal

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<sup>1</sup> Sage Stone Wealth Management LLC is not a financial institution, is not a member of the Federal Deposit Insurance Corporation (FDIC), nor is required to be an FDIC member. You can learn more about the FDIC and how it serves financial institution depositors by going to their website at [www.fdic.gov](http://www.fdic.gov). Securities recommended through our advisory firm are not FDIC-insured.

will be achieved. Investing in securities involves risk of loss that clients should be prepared to bear—a loss that could include some or all of their invested principal. We offer examples of such risk in the following paragraphs, and we believe it is important that our clients review and consider each of them risk prior to investing.

**Active Management Risks** – A portfolio that employs active management strategies can, at times, outperform or underperform various benchmarks or other strategies. In an effort to meet or surpass these benchmarks, active portfolio management can require more frequent trading or “turnover.” This can result in shorter holding periods, higher transactional costs, and/or taxable events generally borne by the client, thereby potentially reducing, or negating certain benefits of active asset management.

**Company Risk** – When investing in securities, there is always a certain level of company or industry-specific risk that is inherent in each company or issuer. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry.

**Ethical Investing** - Our firm exists for the express purpose of providing investment management services and products that are consistent with our clients’ ethical values. When we begin working with a client, we obtain the broadest understanding as to industries of the market that the client wishes to avoid, and we then do our best to ensure that those values and intents are reflected. Ethical investing does not promise perfection. First, there could be certain companies a client wishes to avoid that did not come up in our conversations. Upon discovery, we can apply those screens too. Second, a company that was originally acceptable could purchase a subsidiary and/or become involved in a problematic area, and there could be some passage of time before our ethical screening software captures these changes. Upon discovery, we sell the company. Third, some areas fall into the “grey” -- types of companies that inspire conversation and again, if necessary, can simply be sold if the client is uncomfortable with the company’s level of exposure to an area of concern. Finally, while both empirical and historical data since the early 1990s has conclusively demonstrated that there is no “financial cost” to ethical screening, we could still see more volatility in the portfolio based on the number of industries the client wishes to avoid. Further, if screening becomes exceedingly restrictive (e.g., the client only wants US-based umbrella manufacturers) we should expect to see a statistically significant difference in performance from a comparable, more diversified benchmark.

**Financial Risk** – Excessive borrowing to finance 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.

**Fundamental Analysis** – The challenge involving fundamental analysis is that information obtained may be incorrect; the analysis may not provide an accurate estimate of earnings, which may be the basis for a security’s value.

**Market Risk** – When the stock market as a whole or an industry as a whole falls, it can cause the prices of individual stocks to fall indiscriminately. This is also called systemic or systematic risk.

**Passive Investing** – A portfolio that employs a passive, efficient markets approach has the potential risk at times to generate lower-than-expected returns for the broader allocation than might be the case for a more narrowly focused asset class, and the return on each type of asset may be a deviation from the average return for the asset class.

**Political Risk** – The risk of financial or market loss because of political decisions or disruptions in a particular country or region and may also be known as “geopolitical risk.”

**Research Data** – When research and analyses are based on commercially available software, rating services,

general market and financial information, or due diligence reviews, a firm is relying on the accuracy and validity of the information or capabilities provided by selected vendors, rating services, market data, and the issuers themselves. While our firm makes every effort to determine the accuracy of the information received, we cannot predict the outcome of events or actions taken or not taken, or the validity of all information researched or provided which may or may not affect the advice on or investment management of an account.

### ***Security-Specific Material Risks***

**Equity (Stock) Risk** – Common stocks are susceptible to general stock market fluctuations and to volatile increases or decreases in value as market confidence in and perceptions of their issuers change. If an investor held common stock or common stock equivalents of any given issuer, they may be exposed to greater risk than if they held preferred stocks and debt obligations of the issuer.

**ETF/ETN and Mutual Fund Risk** – The risk of owning ETFs/ETNs and mutual funds reflect their underlying securities (e.g., stocks, bonds, etc.). ETFs/ETNs and mutual funds also carry additional expenses based on their share of operating expenses and certain brokerage fees, which may result in the potential duplication of certain fees. Leveraged or inverse ETFs attempt to achieve multiples of the performance of an index or benchmark through the opposite (inverse) of the performance of the tracked index or benchmark. This strategy attempts to profit from, or hedge exposures to, downward drifting markets. There is risk involving this strategy and part of the concern is based on the fact that leveraged and inverse exchange traded funds "reset" daily, which means they are designed to achieve their stated objectives on a *daily basis*. It is due to the compounding effect of daily adjustments that ETF performance over longer periods of time can differ significantly from the performance (or inverse of the performance) of an underlying index or benchmark during the same period. This effect is potentially magnified during volatile markets. If effects contrary to the ETF strategy occur, losses may be significant; therefore, leveraged and/or inverse ETFs will be considered for portfolios either properly hedged or for clients able to sustain potentially higher risks. Leveraged and inverse funds, therefore, do not necessarily align with a portfolio where a "buy-and-hold" philosophy is important.

**Fixed Income Risks** – Various forms of fixed income instruments, such as bonds, money market funds, bond funds, and certificates of deposit, may be affected by various forms of risk, including:

**Credit Risk** - The potential risk that an issuer would be unable to pay scheduled interest or repay principal at maturity, sometimes referred to as "default risk." Credit risk may also occur when an issuer's ability to make payments of principal and interest when due is interrupted. This may result in a negative impact on all forms of debt instruments, as well as funds or ETF share values that hold these issues. Bondholders are creditors of an issuer and have priority to assets before equity holders (i.e., stockholders) when receiving a payout from liquidation or restructuring. When defaults occur due to bankruptcy, the type of bond held will determine seniority of payment.

**Duration Risk** - Duration is a measure of a bond's volatility, expressed in years to be repaid by its internal cash flow (interest payments). Bonds with longer durations carry more risk and have higher price volatility than bonds with shorter durations.

**Interest Rate Risk** - The risk that the value of the fixed income holding will decrease because of an increase in interest rates.

**Liquidity Risk** - The inability to readily buy or sell an investment for a price close to the true underlying value of the asset due to a lack of buyers or sellers. While certain types of fixed income are generally liquid (i.e., bonds), there are risks which may occur such as when an issue trading on any given period does not readily support buys and sells at an efficient price. Conversely, when trading volume is high, there is also a risk of not being able to purchase a particular issue at the desired price.

**Reinvestment Risk** – With declining interest rates, investors may have to reinvest interest income or principal at a lower rate.

**Index Investing** – Certain ETFs and indexed funds have the potential to be affected by “active risk” (or “tracking error risk”), which might be defined as a deviation from a stated benchmark.

**Master Limited Partnerships** – Investing in MLPs involve certain risks related to investing in their underlying assets, as well as the risks associated with pooled investment vehicles (certain pooled investments may be less regulated than others). In addition, MLPs that concentrate in a particular industry or a particular geographic region are subject to risks associated with the specific industry or region. A potential benefit derived from an MLP is also dependent on the holding being treated as a partnership for federal income tax purposes; if part or all of the MLP is not, it may have potential adverse tax effects on a portfolio.

**QDI Ratios** – While many ETFs/ETNs and index mutual funds are known for their potential tax-efficiency and higher “qualified dividend income” (QDI) percentages, there are certain asset classes and holding periods within some investment vehicles that may cause that vehicle not to benefit. Shorter holding periods, as well as commodities and currencies (that may be part of an ETF, ETN, or mutual fund portfolio,) may be considered “non-qualified” under certain tax code provisions. A particular investment’s QDI will be considered when tax-efficiency is an important aspect of the client’s portfolio.

**Real Estate Investment Trusts** - Risks involved in REIT investing include:

- following the sale or distribution of assets an investor may receive less than their principal invested
- a lack of a public market in certain issues
- limited liquidity and transferability
- a fluctuation of value of the assets within the REIT
- reliance on the investment manager to select and manage assets
- changes in interest rates, laws, operating expenses, and insurance costs
- tenant turnover
- current market conditions

**Margin Risk** – When purchasing securities, the securities may be paid for in full, or it is possible to borrow part of the purchase price from the client’s account custodian or clearing firm. If borrowing funds in connection with the client account, the client will be required to open a margin account, which will be carried by the clearing firm. The securities purchased in such an account are the clearing firm’s collateral for its loan to the client. If those securities in a margin account decline in value, the value of the collateral supporting this loan also declines, and as a result, the brokerage firm is required to take action in order to maintain the necessary level of equity in the account. The brokerage firm may issue a margin call and/or sell other assets in the client’s account. It is important that each client fully understand the risks involved in trading securities on margin, which are applicable to any margin account that the client may maintain. These risks include the following: (i) the client can lose more funds than deposited in the margin account; (ii) the account custodian or clearing firm can force the sale of securities or other assets in the account; (iii) the account custodian or clearing firm can sell the client’s securities or other assets without contacting the client; (iv) the client is not entitled to choose which securities or other assets in the margin account may be liquidated or sold to meet a margin call; (v) the account custodian or clearing firm may move securities held in a cash account to the margin account and pledge the transferred securities; (vi) the account custodian or clearing firm can increase its “house” maintenance margin requirements at any time and they are not required to provide the client advance written notice; and/or (vii) the client is not entitled to an extension of time on a margin call.

**Item 9 - Disciplinary Information**

Neither the firm nor its management has been involved in a material criminal or civil action in a domestic, foreign, or military jurisdiction, an administrative enforcement action, or self-regulatory organization proceeding that would reflect poorly upon our offering advisory business or its integrity.

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

Firm policies require associated persons to conduct business activities in a manner that avoids conflicts of interest between the firm and its clients, or that are contrary to law. We will provide disclosure to each client prior to and throughout the term of an engagement regarding any conflicts of interest involving its business relationships that might reasonably compromise its impartiality or independence.

Our firm and its associates are engaged for fee-only advisory services. As such, neither the firm nor its management is registered or has an application pending to register as a Financial Industry Regulatory Authority (FINRA) or National Futures Association (NFA) member firm or associated person, nor are we required to be registered with such industry entities. Neither our firm nor its management is or has a material relationship with any of the following types of entities:

- accounting firm or accountant
- bank, credit union or thrift institution, or their separately identifiable departments or divisions
- insurance company or insurance agency
- lawyer or law firm
- pension consultant
- real estate broker, dealer, or advisor
- sponsor or syndicator of limited partnerships
- trust company
- issuer of a security, to include investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund)

Upon your request, you can be provided a referral to various professionals, such as an accountant or attorney. While these referrals are based on the best information made available, the firm does not guarantee the quality or adequacy of the work provided by these referred professionals. There is not an agreement with these entities nor are referral fees received from these professionals for such informal referrals. Any fees charged by these other entities for their services are separate from fees charged by our firm. We do have certain investment adviser representatives who are compensated by the number of clients they bring into the Firm. Please see Item 14 below for additional information regarding client referrals and compensation.

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

We have adopted a Code of Ethics that establishes policies for ethical conduct for all our personnel. An investment advisor is considered a fiduciary. As a fiduciary, it is an investment advisor’s responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. We have a fiduciary duty to all clients. Our fiduciary duty is considered the core underlying principle for our Code of Ethics which also includes Insider Trading and Personal Securities Transactions Policies and Procedures.

We require all of our supervised persons to conduct business with the highest level of ethical standards and to comply with federal and state securities laws at all times. Upon employment or affiliation, and at least annually thereafter, all supervised persons will sign an acknowledgement that they have read, understand, and agree to

comply with our Code of Ethics. Our firm and supervised persons must conduct business in an honest, ethical, and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. This disclosure is provided to give all clients as a summary of our Code of Ethics. However, if a client or a potential client wishes to review our Code of Ethics in its entirety, a copy will be provided promptly upon request.

#### Privacy Policy Statement

We respect the privacy of all clients and prospective clients (collectively termed “customers”), both past and present. It is recognized that you have entrusted our firm with non-public personal information, and it is important that both access persons and customers are aware of firm policy concerning what can be done with that information.

Our firm collects personal information about customers from the following sources:

- Information customers provide to complete their financial plan or investment recommendation;
- Information customers provide in engagement agreements and other documents completed in connection with the opening and maintenance of an account;
- Information customers provide verbally; and
- Information received from service providers, such as custodians, about customers’ transactions.
- Our firm does not disclose non-public personal information about our customers to anyone, except in the following circumstances:
  - When required to provide services our customers have requested;
  - When our customers have specifically authorized us to do so;
  - When required during the course of a firm assessment (i.e., independent audit); or
  - When permitted or required by law (i.e., periodic regulatory examination).

Within the firm, access to customer information is restricted to personnel that need to know that information. All access persons and service providers understand that everything handled in firm offices are confidential and they are instructed not to discuss customer information with someone else that could request information about an account unless they are specifically authorized in writing by the customer to do so. This includes, for example, providing information about a spouse’s IRA or to adult children about parents’ accounts, etc.

To ensure security and confidentiality, the firm maintains physical, electronic, and procedural safeguards to protect the privacy of customer information.

The firm will provide our customers with its privacy policy at any time, in advance, if firm privacy policies are expected to change.

#### Firm Recommendations and Conflicts of Interest

Neither the firm nor an associate is authorized to recommend to a client, or effect a transaction for a client, involving any security in which the firm or a “related person” (e.g., associate, an immediate family member, etc.) has a material financial interest, such as in the capacity as a board member, underwriter or advisor to an issuer of securities, etc.

Our associates are prohibited from borrowing from or lending to a client unless the client is an approved lending institution.

Our firm remains focused on ensuring that its offerings are based upon the needs of its clients, not resultant fees received for such services. We want to note that you are under no obligation to act on a recommendation from



our firm and, if you elect to do so, you are under no obligation to complete them through our firm or a service provider whom we recommend.

Our firm does not trade for its own account (e.g., proprietary trading). The firm's related persons can buy or sell securities that are the same as, similar to, or different from, those recommended to clients for their accounts, and this poses a conflict of interest. We mitigate this conflict by ensuring that we have policies and procedures in place to ensure that the firm or a related person will not receive preferential treatment over a client. In an effort to reduce or eliminate certain conflicts of interest involving personal trading (i.e., trading ahead of client recommendation, etc.), firm policy requires that we periodically restrict or prohibit related parties' transactions. Any exceptions must be approved in writing by our Chief Compliance Officer, and personal trading accounts are reviewed on a quarterly or more frequent basis. Please refer to Item 6 of the accompanying Form ADV Part 2B for further details.

## **Item 12 - Brokerage Practices**

### **Factors Used to Select Broker/Dealers for Client Transactions**

Sage Stone Wealth Management LLC does not maintain physical custody of any of your assets (see Item 15). Your assets must be maintained in an account at a "qualified custodian" (generally a broker/dealer, bank, or trust company) that is frequently assessed for its capabilities to serve as a custodian by their respective industry regulatory authority. Our firm is not a custodian, do we have an affiliate that is a custodian, nor does a custodian supervise our firm, its associates, or our business practices.

When engaged to provide consultation or portfolio monitoring services, we recommend the service provider with whom your assets are currently maintained. If you prefer a new service provider, our recommendation of another service provider would be based on your needs, overall cost, and ease of use.

If you have engaged our firm to provide investment management services, we generally recommend our clients use National Financial Services LLC and Fidelity Brokerage Services LLC (together with all affiliates, "Fidelity"). Fidelity is a FINRA and SIPC member,<sup>2</sup> and an independent SEC-registered broker/dealer. As stated earlier, our firm is independently owned and operated, and is not legally affiliated with Fidelity or any other firm we recommend.

Fidelity will hold your assets in an account in your name and will buy and sell securities when we instruct them. We technically do not open the account for you, although we assist you in doing so. If you do not wish to place your assets with Fidelity, then we could be unable to manage your account under certain forms of our investment agreements.

The institutional platform services Fidelity provides us include, among others, brokerage, custody, and other related services. Fidelity's institutional platform services assist us in managing and administering clients' accounts include software and other technology that:

- provide access to client account data (such as trade confirmations and account statements),
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts,
- provide research, pricing, and other market data,
- facilitate payment of fees from its clients' accounts, and
- assist with back-office functions, recordkeeping, and client reporting.

Fidelity also offers other services intended to help the firm manage and further develop its advisory practice.

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<sup>2</sup> Our firm is not, nor required to be, a FINRA or Securities Investor Protection Corporation (SIPC) member. You can learn more about SIPC and how it serves member firms and the investing public by going to their website at <http://www.sipc.org>.

Such services include, but are not limited to, performance reporting, third party research, publications, access to educational conferences, roundtables, and webinars, practice management resources, access to consultants and other third-party service providers who provide a wide array of business-related services and technology with whom we contract directly.

Fidelity's support services generally are available on an unsolicited basis (we do not have to request them) and at no charge to us as long as our clients collectively maintain a total of these account asset minimums with Fidelity. They generally do not charge us separately for custody services but will be compensated by non-wrap fee program account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Fidelity or that settle into Fidelity accounts (e.g., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity provides access to many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. It should also be noted that several years' ago Fidelity had paid nearly \$40,000 worth of service provider fees to encourage our firm to move our business to them.

Fidelity is providing our firm with certain brokerage and research products and services that qualify as "brokerage or research services" under Section 28(e) of the Securities Exchange Act of 1934. The availability of these services from Fidelity benefits us because we do not have to produce or purchase them. We do not have to pay for Fidelity's services so long as our clients maintain assets in accounts at Fidelity. Beyond that, these services are not contingent upon us committing any specific amount of business to Fidelity in trading commissions or assets in custody.

There is an incentive for our firm to select or recommend a particular broker/dealer, such as Fidelity, based on our firm's interest in receiving research or other products or services, rather than on our clients' interest in receiving most favorable execution. This is a conflict of interest; however, we believe our selection of Fidelity as custodian is in the best interests of our clients and our selection is supported by the scope, quality, and price of Fidelity's services as a whole, not Fidelity's services that only benefit us. We have also determined that having Fidelity execute most trades is consistent with our duty to seek "best execution" of your trades (see following section). We periodically conduct an assessment of any service provider we recommend, including Fidelity, which includes a review of their range of services, reasonableness of fees, among other items, in comparison to their industry peers.

#### Best Execution

"Best execution" means the most favorable terms for a transaction based on all relevant factors, including those listed in the paragraph titled *Factors Used to Select Broker/Dealers for Client Transactions*. We recognize our obligation in seeking best execution for our clients; however, it is our belief that the determinative factor is not always the lowest possible cost but whether the selected custodian's transactions represent the best "qualitative execution" while taking into consideration the full range of services provided. Our firm will seek services involving competitive rates but will not necessarily correlate into the lowest possible rate for each transaction. We have determined that having our firm's trades executed through Fidelity is consistent with our duty to seek best execution of your trades. We also periodically review policies regarding our recommending service providers to our clients in light of our duty to seek best execution.

#### Directed Brokerage

Our internal policy and operational relationship with Fidelity require client accounts custodied with them to have trades executed per their order routing requirements. We do not direct which executing broker should be selected for client account trades; whether that is an affiliate of Fidelity or another executing broker of our Fidelity's choice. As a result, you could pay higher commissions or other transaction costs, experience greater spreads, or receive less favorable net prices on transactions than might otherwise be the case.

Since we routinely recommend Fidelity for our advisory clients, and Fidelity chooses to use the execution services

of its broker affiliate for some or all of our client account transactions, there is an inherent conflict of interest involving our recommendation since our advisory firm receives various products or services described in this section from Fidelity. Note that we are not compensated for trade routing/order flow, nor are we paid commissions on such trades. We do not receive interest on our client accounts' cash balances.

As our client, you can direct our firm (in writing) to use another particular broker/dealer to execute some or all transactions for your account. In these circumstances, you will be responsible for negotiating, in advance, the terms and/or arrangements for your account with your selected broker/dealer. We will be limited in our ability to execute trades on your behalf and you will be required to do these on your own.

We will not be obligated to seek better execution services or prices from these other broker/dealers, or be able to aggregate your transactions, should we choose to do so, for execution through other custodians with orders for other accounts managed by our firm. As a result, you can pay higher commissions or other transaction costs, experience greater spreads, or receive less favorable net prices, on transactions for your account than would otherwise be the case. Pursuant to our obligation of best execution, we can decline a request to direct brokerage if we believe any directed brokerage arrangement would result in additional operational difficulties or risk to our firm.

#### Aggregating Securities Transactions

Trade aggregation involves the purchase or sale of the same security for several clients/accounts at approximately the same time. This is also termed as "blocked," "bunched" or "batched" orders. Aggregated orders are effected in an attempt to obtain better execution, negotiate favorable transaction rates, or to allocate equitably among multiple client accounts should there be differences in prices, brokerage commissions or other transactional costs that might otherwise be unobtainable through separately placed orders. Our firm can, but is not obligated to, aggregate orders and we do not receive additional compensation or remuneration as a result of aggregated transactions.

Transaction charges and/or prices vary due to account size and/or method of receipt. To the extent that the firm determines to aggregate client orders for the purchase or sale of securities, including securities in which a related person can invest, the firm will generally do so in accordance with the parameters set forth in SEC No-Action Letter, *SMC Capital, Inc.*

Please note that when trade aggregation is not allowed or infeasible and necessitates individual transactions (e.g., withdrawal or liquidation requests, odd-lot trades, nondiscretionary accounts, etc.), an account has the potential to be assessed higher costs or less favorable prices than those where aggregation has occurred.

We review both our trade aggregation procedures and allocation processes on a periodic basis to ensure they remain within stated policies and regulation. We will inform you, in advance, should our trade aggregation and allocation practices change at any point in the future.

#### Trade Errors

Our firm corrects its trading errors through an account maintained by our custodian. Trading gains are swept out to a designated account maintained by our custodian and are donated to a 501(c)(3) charity of our choice. The charity will not be a foundation or charitable organization that would create a conflict of interest involving our firm, such as a client of the firm.

#### Client Referrals from Custodians

We do not receive referrals from our custodian; nor are client referrals a factor in our selection of our custodian.

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

#### **Periodic Reviews**

We review accounts on at least a quarterly basis for our clients subscribing to our Comprehensive Portfolio Management and Separate Account Management Services. Portfolio Monitoring clients receive at least quarterly reviews. The nature of these reviews is to learn whether clients' accounts are in line with their investment objectives, appropriately positioned based on market conditions, and investment policies, if applicable. Only our Investment Consultants or Portfolio Managers will conduct reviews.

Our Financial Consulting and Investment Policy Statement Creation and Review Clients receive reviews only when contracted. We do not have an ongoing responsibility to update these clients.

#### **Non-Periodic Reviews**

We can review client accounts more frequently than described in the previous paragraph. Among the factors which trigger an off-cycle review are major market or economic events, the client's life events, requests by the client, etc. Only our Investment Consultants or Portfolio Managers will conduct reviews.

Our Financial Consulting and Investment Policy Statement Creation and Review Clients receive reviews only when contracted.

#### **Client Reports and Frequency**

If you have opened and maintained an investment account on your own or with our assistance, you will receive account statements sent directly from mutual fund companies, transfer agents, custodians, or brokerage companies where your investments are held. We urge you to carefully review these statements for accuracy and clarity, and to ask questions when something is not clear. We can provide general reports if we are engaged to provide financial consultation; however, we do not provide ongoing performance reporting under these engagements.

For our Comprehensive Portfolio Management, Separate Account Management, and Portfolio Monitoring Services engagements, our clients' will receive quarterly and/or annual written performance reports that have been prepared by our firm using third-party software. These reports are calculated using money-weighted and/or time-weighted methodologies to inform clients about their portfolio performance over the current period and since account inception. Our reports are reviewed for accuracy by operations staff prior to delivery, as well as periodic back-testing by compliance personnel. Clients are urged to carefully review and compare account statements that they have received from their custodian of record with any report from our firm that includes performance information.

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

#### **Economic Benefit from External Sources and Potential Conflicts of Interest**

We receive an economic benefit from external sources in the form of the support products and services they make available to us and other independent investment advisors. As disclosed under Item 12, our firm participates in Fidelity's institutional platform program and we recommend Fidelity to our clients for custody and brokerage services. While there is no direct link between our participation in the Fidelity program and the investment advice, we give our clients, our firm does receive economic benefit through its participation in the program that are typically not available to "retail investors." As part of our fiduciary duty, Sage Stone Wealth Management LLC will endeavor at all times to put the interests of our clients first. Our clients should be aware, however, that the receipt of any economic benefit by our firm or its associates in and of itself creates a conflict of interest and appears to influence our choice of Fidelity for custody and brokerage services.

### Advisory Firm Payments for Client Referrals

Currently, we do not have any solicitation or referral arrangements in place. However, we can in the future enter into agreements with individuals and organizations, some of whom could be affiliated or unaffiliated with Sage Stone Wealth Management LLC, that refer clients to us. All such agreements will be in writing and comply with the applicable state and federal regulations. If a client is introduced to us by a solicitor, we can pay that solicitor a fee and require solicitor registration in accordance with applicable federal and state securities law requirements. While the specific terms of each agreement can differ, generally, the compensation will be based upon Sage Stone Wealth Management LLC's engagement of new clients and the retention of those clients and would be calculated using a varying percentage of the fees paid to us by such clients until the account is closed by written authorization from the client. Any such fee shall be paid solely from Sage Stone Wealth Management LLC's investment management fee and shall not result in any additional charge to the client.

Each prospective client who is referred to Sage Stone Wealth Management, LLC under such an arrangement will receive a copy of our Form ADV Part 2A and a separate written disclosure document disclosing the nature of the relationship between the third-party solicitor and us and the amount of compensation that will be paid by us to the third-party solicitor. Solicited clients will be required to sign an acknowledgment of receipt of Sage Stone Wealth Management's disclosure brochure and the solicitor's written disclosure statement.

An associate of the firm can hold individual membership or serve on boards or committees of professional industry associations. Generally, participation in any of these entities require membership fees to be paid, adherence to ethical guidelines, as well as in meeting experiential and educational requirements. A benefit these entities provide to the investing public is the availability of online search tools that allow interested parties (prospective clients) to search for individual participants within a selected state or region. These passive websites provide means for interested persons to contact a participant via electronic mail, telephone number, or other contact information, in order to interview the participating member. The public can also choose to telephone association staff to inquire about an individual within their area and would receive the same or similar information. A portion of these participant's membership fees can be used so that their name will be listed in some or all of these entities' websites (or other listings). Prospective clients locating our advisory firm or an associate via these methods are not actively marketed by the noted associations. Clients who find our firm in this way do not pay more for their services than clients referred in any other fashion. The firm does not pay these entities for prospective client referrals, nor is there a fee-sharing arrangement reflective of a solicitor engagement.

### **Item 15 – Custody**

Pursuant to the Investment Advisers Act of 1940, we are deemed to have custody of client funds because we have the authority and ability to debit our fees directly from the accounts of those clients receiving our services. Additionally, certain clients have signed, and can in the future sign, a Standing Letter of Authorization ("SLOA") that gives us the authority to transfer funds to a third-party as directed by the client in the SLOA. This is also deemed to give us custody. Custody is defined as any legal or actual ability by the firm to withdraw client funds or securities. Firms with deemed custody must take the following steps:

1. Ensure clients' managed assets are maintained by a qualified custodian;
2. Have a reasonable belief, after due inquiry, that the qualified custodian will deliver an account statement directly to the client at least quarterly;
3. Confirm that account statements from the custodian contain all transactions that took place in the client's account during the period covered and reflect the deduction of advisory fees; and
4. Obtain a surprise audit by an independent accountant on the clients' accounts for which the advisory firm is deemed to have custody.
5. However, the rules governing the direct debit of client fees and SLOAs exempts us from the surprise audit rules if certain conditions (in addition to steps 1 through 3 above) are met. Those conditions are as

follows:

- a. When debiting fees from client accounts, we must receive written authorization from clients permitting advisory fees to be deducted from the client's account.
- b. In the case of SLOAs, we must: (i) confirm that the name and address of the third party is included in the SLOA, (ii) document that the third-party receiving the transfer is not related to our firm, and (iii) ensure that certain requirements are being performed by the qualified custodian.

The qualified custodian that is selected by a client maintains actual physical custody of client assets. Client account statements from custodians will be sent directly to each client to the email or postal mailing address that is provided to the qualified custodian selected by the client. Clients are encouraged to compare information provided in reports or statements received by our firm with the account statements received from their custodian for accuracy. In addition, clients should understand that it is their responsibility, not the custodian's, to ensure that the fee calculation is correct.

If securities are inadvertently received by our firm, they will be returned to the sender immediately, or as soon as practical.

We encourage our clients to raise any questions with us about the custody, safety, or security of their assets. The custodians we do business with will send you independent account statements listing your account balance(s), transaction history and any fee debits or other fees taken out of your account.

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

We provide our various forms of investment advisory services (as described in Item 4) under either *discretionary* or *nondiscretionary* account authority (basis), and as determined by your written engagement agreement. We generally provide our investment supervisory services under a discretionary agreement.

Via limited power of attorney, discretionary authority allows our firm to implement investment decisions, such as the purchase or sale of a security on behalf of your account, without requiring your prior authorization for each transaction in order to meet your stated account objectives. This authority will be granted through your execution of our engagement agreement and the custodian's account opening documents. The custodian maintaining your account will specifically limit our firm's authority to the placement of trade orders and the request for the deduction of advisory our fees. However, such discretion is to be exercised in a manner consistent with each client's stated investment objectives, risk tolerance, and time horizon. In addition, our authority to trade securities is limited in certain circumstances by applicable legal and regulatory requirements, or by conditions imposed by clients including restrictions on investing in certain securities or types of securities. All such limitations, restrictions, and investment guidelines must be provided to us in writing.

Should you prefer your account to be managed on a nondiscretionary basis, your prior approval must be made for each transaction with regard to the investment and reinvestment of account assets or for the firm to give instructions to the service provider maintaining your account. In light of the requirement for your pre-approval, you must make yourself available and keep us updated on your contact information so that instructions can be efficiently effected on your behalf.

You can amend our account authority by providing our firm revised written instructions. As noted in Item 4, we will allow for reasonable restrictions involving the management of your account. It remains your responsibility to notify us if there is any change in your situation and/or investment objective so that we can reevaluate previous investment recommendations or portfolio holdings.

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

Our firm does not vote proxies on your behalf, including accounts that we have discretionary authority. We do not offer guidance on how to vote proxies, nor will we offer guidance involving any claim or potential claim in any bankruptcy proceeding, class action securities litigation or other litigation or proceeding relating to securities held at any time in a client account, including, without limitation, to file proofs of claim or other documents related to such proceeding, or to investigate, initiate, supervise or monitor class action or other litigation involving client assets. We will answer limited questions with respect to what a proxy voting request or other corporate matter is and how to reach the issuer or their legal representative.

You will maintain exclusive responsibility for directing the manner in which proxies solicited by issuers of securities that are beneficially owned by you shall be voted, as well as making all other elections relative to mergers, acquisitions, tender offers or other legal matters or events pertaining to your holdings.

You may periodically receive proxies or other similar solicitations sent directly from your selected custodian or transfer agent. Please note that if we receive a duplicate copy we do not forward these or any correspondence relating to voting proxies; however, we will verify that the custodian continues to send any proxies, similar solicitations or any correspondence relating to the voting of your securities, class action litigation, or other corporate actions directly to you.

You should consider contacting the issuer or your legal counsel involving specific questions you have with respect to a particular proxy solicitation or corporate action.

### **Item 18 - Financial Information**

Our advisory firm will not take physical custody of your assets, nor do we have the type of account authority to have such control. Fee withdrawals must be done through a qualified intermediary (e.g., your custodian of record) subsequent to your written agreement.

Engagements with our firm do not require that we collect fees from you of \$1,200 or more for our advisory services that we have agreed to perform six months or more into the future.

Neither our firm nor its management serve as general partner for a partnership or trustee for a trust in which the firm's advisory clients are either partners of the partnership or beneficiaries of the trust.

The firm and its management do not have a financial condition likely to impair its ability to meet commitments to clients, nor has the firm and its management been the subject of a bankruptcy petition.

Due to the nature of our firm's advisory services and operational practices, an audited balance sheet is not required nor included in this brochure.