

**Item 1: Cover Page**

July 24, 2019



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This brochure provides information about the qualifications, services and business practices of CL Wealth Management LLC, a registered investment adviser with the United States Securities and Exchange Commission (“SEC”). If you have any questions about the content of this brochure, please contact us at 212-388-6212.

The information in this brochure has not been approved or verified by the SEC or by any state securities regulatory authority. Registration with the SEC or by any state securities authority does not constitute or imply a certain level of skill or training.

Additional information about CL Wealth Management LLC, is available on the SEC's Investment Adviser Public Disclosure (“IAPD”) website at [www.adviserinfo@sec.gov](http://www.adviserinfo@sec.gov).

## Item 2: Material Changes

Form ADV Part 2A Disclosure Brochure rules require registered investment advisers to amend their brochure and discuss any material changes that have been made to the brochure since the last annual amendment dated May 29, 2019. The Firm has amended Item 10 with respect to affiliations with Purshe Kaplan Sterling Investments (“PKSI”), an SEC registered broker-dealer and a member of FINRA and PKS Financial Services, Inc. (“PKSFS”), an insurance agency licensed in all states in which they conduct business. The Firm has also amended Item 10 with respect to the recommendation of affiliated products.

CLW is under common control with Purshe Kaplan Sterling Investments (“PKS”), an SEC registered broker-dealer and a member of FINRA. It is anticipated that certain of the Supervised Persons of CLW will be registered representatives of PKSI, and in their individual capacities, effect securities brokerage transactions on a commission basis, including transactions for CLW’s investment advisory clients, as authorized. Separately, the Firm’s representatives may recommend PKS for the purchase of certain securities.

PKS Holdings, LLC, the sole member of CLW is also the sole member of CL General Agency (“CLGA”) and PKS Financial Services, Inc. (“PKSFS”) CLGA and PKSFS are insurance agencies licensed in all states in which they conduct business. Certain of CLGA’s Supervised Persons, in their individual capacities, are also licensed insurance agents with CLGA or PKSFS and various insurance companies, and in such capacity, recommend, on a fully disclosed basis, the purchase of certain insurance products.

The Firm has amended Item 4 to reflect certain conflicts of interest associated with the recommendation of investments by CLW.

As discussed above, the Firm is affiliated with CLS and PKS. CLW allows its investment advisor representatives to recommend certain affiliated products, often privately placed securities that are distributed through CLS and/or PKS. Because CLS, PKS or their related persons benefit from the purchase of the affiliated products, there is a conflict of interest when CLW recommends that clients invest in those products. CLW has policies and procedures in place to mitigate the conflict and will disclose such conflicts to clients prior to the client purchasing such products.

These are the material changes to CLW’s prior Disclosure Brochure.

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## Item 4: Advisory Business

### A. Description of our Advisory Firm

CL Wealth Management LLC ("CLW") is a New York-based investment adviser registered with the Securities and Exchange Commission ("SEC"). We opened for business as CBS Advisors, LLC in September 2005. In July 2013, we changed our name to CL Wealth Management LLC. CL Wealth Management and is affiliated with Cabot Lodge Securities LLC ("CLS") a New York based fully disclosed introducing broker/dealer. CL Wealth Management LLC and Cabot Lodge Securities LLC are wholly owned by PKS Holdings LLC, a Delaware corporation. Most CL Wealth Management Advisory Representatives ("IARs") are also registered representatives of Cabot Lodge Securities LLC. Many of these same representatives are also licensed insurance agents and hold insurance appointments from one or more insurance companies. Some clients of CL Wealth Management LLC may also be clients of Cabot Lodge Securities LLC. The relationship between CL Wealth Management LLC and Cabot Lodge Securities LLC is fully disclosed to all advisory clients.

Our advisory services and fees are described below. Please refer to the description of each investment advisory service for information on how we tailor our advisory services to your individual needs. As used in this brochure, the words "we", "our" and "us" refer to CL Wealth Management LLC and the words "you", "your" and "client" refer to you as either a client or prospective client of our firm. You may also see the term "Associated Person" throughout this brochure. As used in this brochure, our Associated Persons are our firm's officers, employees, and all registered individuals providing investment advice on behalf of our firm.

### B. Description of Advisory Services Offered

CLW is an independent investment advisory firm offering portfolio advisory and financial planning services to individuals, pension and profit-sharing plans, trusts, estates, charitable organizations, corporations, and other business entities.

CLW recommends securities transactions to its clients that include securities and strategies as described in Item 8 of this Brochure.

We offer a variety of both discretionary and non-discretionary portfolio advisory services whereby investment advice is tailored to meet our clients' needs and investment objectives. If you retain our firm for portfolio advisory services, an Investment Adviser Representative ("IAR") will meet with you (either in person or by telephone) to determine your investment objectives, risk tolerance, time horizon, goals, liquidity needs, investment experience and other relevant information (collectively, your "investment information") at the beginning of our advisory relationship. CLW, through its IAR, will use the information to develop and recommend a strategy or program that is best suited, given all relevant factors you provide to us, to meet your needs and objectives.

As part of our portfolio advisory services, an IAR of our firm may customize an investment portfolio for you according to your risk tolerance and investment objectives and/or may invest your assets according to one or more model portfolios developed by the IAR or by a third-party Manager. Once the IAR constructs an investment portfolio for you or selects a model portfolio, the IAR will monitor your portfolio's performance on an ongoing basis and may rebalance the portfolio as needed based on changes in market conditions and/or your financial circumstances.

### Management of Accounts

In some instances, a CLW IAR will manage the client's account on a discretionary or non-discretionary basis. After consulting with their client, IARs may use a combination of fundamental and/or technical

analysis, and various other sources to acquire information about various investment options that may be suitable for each client. Fundamental analysis of a business involves analyzing its financial statements and health, its management and competitive advantages, and its competitors. Technical analysis employs models and trading rules based on such things as price, volume of shares traded, moving averages, and identification of chart patterns.

## Non-Discretionary Portfolio Management Services/Referrals to Third Party Manager Programs

When managing an account on a non-discretionary basis, the IAR will gather the client's investment information, and recommend a portfolio. If the client elects to have the CLW IAR manage their portfolio directly, the IAR, with prior authorization from the client, will buy, sell or to trade in stocks, bonds, and any other securities for the account. If you enter into these non-discretionary arrangements with our firm, we must obtain your approval prior to executing any transactions on behalf of your account. The CLW IAR will monitor the client's portfolio on a regular basis, and will make recommendations for changes as warranted by the overall performance of the investments in the client's portfolio, the performance of the model portfolio, or changes in the client's financial circumstances or objectives.

## CLW Discretionary Portfolio Management Services

If you elect to use our discretionary portfolio advisory services, we require you to grant our firm limited discretionary authority to manage your account. This discretionary authorization will allow us to determine the specific securities and the amount of such securities to be purchased or sold for your account without your prior approval, and to direct the custodian to deduct our fees directly from your account. This discretionary authority is typically granted through the investment advisory agreement you sign with our firm and the completion of the appropriate trading authorization forms. You may limit our discretionary authority (for example, limiting the types of securities that can be purchased for your account) by providing our firm with your restrictions and guidelines in writing.

## Selection of Other Advisers/Third-Party Managers

As part of our investment advisory services, we may recommend that you use the services of a Third-Party Money Manager ("MM") to manage all or a portion of your investment portfolio. A CLW IAR will consult with his/her clients to determine the client's investment objectives, investment goals, time horizon, and risk tolerance, among other factors, in order to best determine which program or manager is best suited for the client. The type of investment restrictions a client may place on an account varies by program and manager, and some do not allow any restrictions. Part of the selection process is to select the program or manager that best reflects the wishes of the client.

After gathering information about your financial situation and objectives, we may recommend that you engage a specific MM or investment program. Factors that we take into consideration when making our recommendation include, but are not limited to, the following: the MM's historical performance, methods of analysis, fees, your financial needs, investment goals, risk tolerance, and investment objectives. IARs will periodically monitor the MM(s)' performance to ensure their management and investment style remains aligned with your investment goals and objectives.

If the client elects to use the services of a Third-Party Manager, their account will generally be managed by that Manager on a discretionary basis. When a client grants discretion over an account to a Third-Party Manager, that manager will determine the type of securities and the amount of each security to be purchased or sold. The manager will also determine the custodial broker/dealer where the account will be held. The manager may choose one of the firms that act as custodial firms for CL Wealth Management or another custodial broker/dealer which the Manager uses. A condition of participation with certain Third Party Managers may be agreeing to use the custodian selected by that Manager. The manager may also determine what commission rate is used for the account. If the account is held at one

of the firms that act as custodians for CLW managed accounts, the commission rate will be no greater than the clearing cost to the CLW IAR. Please consult the relevant Third Party Manager's disclosure documents for further information on conditions for managing client accounts.

### Third-Party Asset Manager Options

When a Third-Party Asset Manager manages assets for a client referred by CLW, that manager will manage the client's assets according to its own client advisory agreement and policies and procedures. In some instances, certain of these managers may serve as a sub-adviser for CLW. In other cases, CLW has entered into an arrangement to refer clients to them for asset management services and received a referral or "solicitor" fee.

CLW is a principal sponsor of, and provides its clients access to, Envestnet Asset Management Inc. ("Envestnet"), an advisory third-party private wealth management program and platform. With this preferred program and platform, CLW clients have access to additional asset allocation, research and evaluation services. Envestnet offers multiple program management options within its platform, and with the various management options there are various fee schedules and account minimums.

### Financial Planning, Consulting Services and Workshops/Seminars

CLW offers personal financial planning services that include, but are not limited to, advice on education funding, asset allocation, budgeting and cash flow analysis, retirement planning, estate planning, and insurance planning. CLW also offers consulting services that include, but are not limited to, advice on portfolio holdings, asset allocation, and evaluation of retirement planning, estate planning, and insurance planning. Services rendered on a consulting basis are usually not ongoing, but limited to a specific issue or issues important to a client. Neither CLW nor any of its representatives gives legal or tax advice. A client may hire a representative of the firm to monitor and make recommendations on a particular portfolio(s). This monitoring would be on an ongoing basis. Licensed associated persons of CLW may offer workshops and or seminars dealing with various financial planning / securities topics. There may be a charge to attend one of these sessions.

You are under no obligation to act on our financial planning recommendations. Should you choose to act on any of our recommendations, you are not obligated to implement the financial plan through any of our other investment advisory services. Moreover, you may act on our recommendations by placing securities transactions with any brokerage firm.

Financial plans are based on your financial situation at the time we present the plan to you, and on the financial information you provide to us. You must promptly notify our firm if your financial situation, goals, objectives, or needs change.

CLW recommends the services of itself, its Supervised Persons in their individual capacities as registered representatives of a broker-dealer, and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if CLW recommends its own services.

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

Each client's account will be managed on the basis of the client's financial situation and investment objectives and in accordance with any reasonable restrictions imposed by the client on the management of the account—for example, restricting the type or amount of security to be purchased in the portfolio.

### D. Wrap Programs and Fees

CLW does not offer wrap programs at this time.

## E. Client Assets Under Management

As of December 31, 2018, we managed approximately \$193 million in client assets on a discretionary basis representing 1,452 accounts, and approximately \$49 million in client assets on a non-discretionary basis representing 166 accounts.

## Item 5: Fees and Compensation

### A. Methods of Compensation and Fee Schedule

#### Portfolio Advisory Services

CLW's fee for portfolio advisory services is an asset-based fee calculated as a percentage of the value of the account's assets, calculated according to the following fee schedule, which represents the standard fees for individual account services. There may be exceptions to this schedule.

| <u>Assets Under Management</u> | <u>Annual Fee Rate*</u> |
|--------------------------------|-------------------------|
| \$25,000 - \$100,000           | 2.25%                   |
| \$100,000 - \$250,000          | 2.00%                   |
| \$250,000 - \$500,000          | 1.75%                   |
| \$500,000 - \$1,000,000        | 1.50%                   |
| \$1,000,000 - \$2,000,000      | 1.25%                   |
| \$2,000,000 and over           | Negotiable              |

\*A portion of the Annual Fee may be paid to the account custodian for billing, reporting and/or other administrative functions.

In general, CLW requires a minimum of \$25,000 to open and maintain an advisory account. At our discretion, we may waive this minimum account size.

CLW's annual portfolio advisory fee is billed and payable quarterly in advance or arrears based on the value of the client's account on the last business day of the previous quarter, and at the IAR's discretion. If the investment advisory agreement is executed at any time other than the first day of a calendar quarter, fees will apply on a pro-rata basis, which means that the advisory fee is payable in proportion to the number of days in the quarter for which you are a client. Our advisory fee is negotiable, depending on individual client circumstances.

At our discretion and based on the Custodian's policies, we may combine the account values of family members living in the same household to determine the applicable advisory fee. For example, we may combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts. Combining account values may increase the asset total, which may result in your paying a reduced advisory fee based on the available breakpoints in our fee schedule stated above.

The qualified custodian will directly deduct our fees from our clients' account(s) according to the Client Advisory Agreement. The custodian sends statements showing all account activity including advisory fees to the client at least quarterly. In a limited number of instances, a client may have fees billed to another account. You should review all statements for accuracy. In some instances, we may bill the client directly. In this case the client will then pay CLW directly.

Clients may terminate the client agreement upon 30 days' written notice to our firm. If the fee is charged

in advance, the fee is prorated based on the number of days the account is open. If the account is terminated prior to the last day of a quarter, a prorated portion, based on the days remaining in such quarter, of the quarterly fee paid in advance will be refunded to the client.

### Selection of Other Advisers

When a third-party manager is used, the fee schedule is provided by the third-party manager. Each client using a third-party manager will be provided with that manager's disclosure statement and fee schedule. CLW will receive, and will pay to the clients' IAR, a portion of the fee. The portion of the fee paid to CLW may vary depending on the fee schedule of the individual third-party manager in accordance with the CLW client advisory agreement.

CLW does not withdraw third-party manager fees from client accounts. Such third-party managers engaged deduct their own fees from client accounts. Clients must provide written consent to the custodian or third-party manager in order for fees to be deducted from their account. The custodian of the account sends statements showing all account activity including advisory fees to the client at least quarterly. In a limited number of instances, a client may have fees billed to another account.

Most accounts are billed quarterly; however, some third-party managers may charge fees monthly. Fees can be charged either in advance or arrears. Account billing is fully disclosed in each third-party manager's disclosure statements that are delivered to clients.

Fees of various third-party managers may vary based on the size and type of account. CLW's fees portion may, in certain circumstances, be negotiated. Compensation paid to CLW from various third-party managers may vary; therefore, there may be a conflict of interest in recommending a manager who shares a larger portion of the total fee over another manager.

### Financial Planning and Consulting Fees

Financial planning and consulting fees are based on the time required to complete the assignment. The standard planning and consulting fee is \$350 per hour. An estimate of the total fee is agreed upon in advance. Financial planning and consulting fees are negotiable based on the complexity and scope of services to be provided and in some cases may be waived. In some instances, the fee charged may be a flat fee that may not exceed \$3,000.

You may terminate the financial planning agreement by providing notice to our firm. You will incur a pro rata charge for services rendered prior to the termination of the agreement.

### B. Client Payment of Fees

CLW will not take custody or possession of client funds or securities at any time except to the extent that CLW may deduct fees directly from the client's account. CLW will deduct advisory fees directly from the client's account provided that (i) the client provides written authorization to the qualified custodian, and (ii) the qualified custodian sends the client a statement, at least quarterly, indicating all amounts disbursed from the account.

The client is responsible for verifying the accuracy of the fee calculation, as the client's custodian will not verify the calculation.

### C. Additional Client Fees Charged

All fees paid for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and exchange-traded funds, separate account managers, broker-dealers, and

custodians retained by clients. Such fees and expenses are described in each fund's prospectus, each separate account manager's Form ADV or similar disclosure statement, and by any broker-dealer or custodian retained by the client. Clients are advised to read these materials carefully before investing. If a fund also imposes sales charges, a client may pay an initial or deferred sales charge as further described in the mutual fund's prospectus. A client using CLW may be precluded from using certain mutual funds or separate account managers because they may not be offered by the client's custodian. Please refer to the Brokerage Practices section (Item 12) for additional information regarding the firm's brokerage practices.

#### D. Prepayment of Client Fees

CLW may require the prepayment of asset-based fees. CLW's fees will either be paid directly by the client or disbursed to CLW by the qualified custodian of the client's investment accounts, subject to prior written consent of the client. The custodian will deliver directly to the client an account statement, at least quarterly, showing all investment and transaction activity for the period, including fee disbursements from the account.

A client investment advisory agreement may be terminated by either party for any reason upon receipt of written notice by the other party. Upon termination of any account, any unearned, prepaid fees will be promptly refunded and any earned, unpaid fees will be immediately due and payable, pro-rata. The client has the right to terminate an agreement without penalty within five business days after entering into the client advisory agreement.

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

Associated persons providing investment advice on behalf of CLW are also registered representatives and dually registered with Cabot Lodge Securities ("CLS"), CLW's affiliated broker-dealer by common ownership. In their capacity as registered representatives at CLS, the IAR receives commission-based compensation in connection with the purchase and sale of securities (such as stocks, bonds, mutual funds, variable annuities, and limited partnerships), which is separate and in addition to CLW's advisory fees received from client advisory accounts.

This practice presents a conflict of interest because persons providing investment advice on behalf of CLW who are also registered representatives of CLS may have an incentive to effect securities transactions at CLS for the purpose of generating commissions rather than solely based on the client's needs. CLW mitigates this conflict by holding their IARs to the high ethical standards of our fiduciary duty to put clients' needs first, and an annual commitment to comply with our required code of conduct outlined in our Code of Ethics. If a client maintains an account with both CLW and CLS, the advisory account will not be charged any commissions or markups for their advisory transactions.

In addition, the firm may recommend an investment in one or more sponsored, managed, or advised products by one of our affiliates which may earn compensation from one of our affiliates. Such compensation may include dividends from preferred ownership interests, management and advisory fees, profit participation, and related income. Such compensation may create a conflict of interest in that CLW has an economic interest in recommending these products. The firm does not receive any compensation from those other entities, unless otherwise disclosed.

Generally, broker-dealer commission-based accounts, such as those through CLS, are more appropriate for low transactional accounts or "buy and hold" account strategies, since those clients pay a commission on only the individual transaction(s). There are exceptions to this general understanding, however. In some cases, it may be appropriate to trade with some frequency in a commission-based account due to market, economic or individual client considerations.

Investment advisory fee-based accounts, such as those through CLW, are, by design, for active and regular “management” of assets (or advice) and therefore pay a quarterly fee based on the amount of assets managed or advised, regardless of how many transactions are executed. There are exceptions to this general strategy, however. In some cases, it may be appropriate not to trade with frequency in an advisory account due to market, economic or individual client considerations.

Clients have the right to buy or sell recommended securities products and services through any appropriately registered firm.

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

CLW does not participate in performance-based fees or side-by-side management.

## **Item 7: Types of Clients**

CLW offers investment advisory services to various types of clients including individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, and other business entities.

In general, CLW requires a minimum of \$25,000 to open and maintain an advisory account. At our discretion and based on the Custodians’ policies, we may reduce this minimum account size.

For accounts managed by third-party managers, the minimum account size is usually determined by the third-party manager. Please consult the relevant third party manager’s disclosure document for information on minimum account requirements.

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

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

#### **A.1. Methods of Analysis**

CLW may use one or more of the following methods of analysis when providing investment advice:

- Charting Analysis
- Technical Analysis
- Fundamental Analysis
- Cyclical Analysis
- Tax Considerations

#### **Charting Analysis**

Charting analysis involves the gathering and processing of price and volume pattern information for a particular security, sector, broad index, or commodity. This price and volume pattern information is analyzed. The resulting pattern and correlation data is used to detect departures from expected performance and diversification and predict future price movements and trends.

The risk of charting analysis is that it may not accurately detect anomalies or predict future price movements. Current prices of securities may reflect all information known about the security, and day-to-day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

## Technical Analysis

Technical analysis involves studying past price patterns, trends, and interrelationships in the financial markets to assess risk-adjusted performance and predict the direction of both the overall market and specific securities.

The risk of market timing based on technical analysis is that our analysis may not accurately detect anomalies or predict future price movements. Current prices of securities may reflect all information known about the security, and day-to-day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

## Fundamental Analysis

Fundamental analysis involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company and its industry. The resulting data is used to measure the true value of the company's stock compared to the current market value.

## Cyclical Analysis

Cyclical analysis is a type of technical analysis that involves evaluating recurring price patterns and trends. Economic/business cycles may not be predictable and may have many fluctuations between long-term expansions and contractions.

The lengths of economic cycles may be difficult to predict with accuracy and therefore the risk of cyclical analysis is the difficulty in predicting economic trends and consequently the changing value of securities that would be affected by these changing trends.

## Tax Considerations

Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you consult with a tax professional prior to and throughout the investing of your assets.

Moreover, as a result of revised IRS regulations, custodians and broker-dealers began reporting the cost basis of equities acquired in client accounts on or after January 1, 2011. Your custodian will default to the FIFO (first-in, first-out) accounting method for calculating the cost basis of your investments. You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, please provide written notice to our firm immediately and we will alert your account custodian of your individually selected accounting method. Please note that decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

## A.2. Material Risks of Investment Instruments

The investment vehicles most commonly purchased for CLW clients are shares of registered open-end mutual funds and exchange-traded funds. Many of these investments can be purchased directly by clients without utilizing the services of an advisor. Registered investment companies charge their own management fees and expenses. These fees and expenses are detailed in each respective mutual fund's prospectus and are in addition to any fees charged by CLW.

CLW typically invests in open-end mutual funds and exchange-traded funds for the majority of its clients. However, for certain clients, CLW may affect transactions in the following types of securities:

- Equity securities
- Mutual fund securities
- Exchange-traded funds
- Fixed income securities
- Corporate debt securities, commercial paper, and certificates of deposit
- Municipal securities
- U.S. government securities
- Private placements
- Structured products
- Government and agency mortgage-backed securities
- Corporate debt obligations
- Mortgage-backed securities
- Asset-backed securities

## Equity Securities

Investing in individual companies involves inherent risk. The major risks relate to the company's capitalization, quality of the company's management, quality and cost of the company's services, the company's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk, and the company's ability to create shareholder value (i.e., increase the value of the company's stock price). Foreign securities, in addition to the general risks of equity securities, have geopolitical risk, financial transparency risk, currency risk, regulatory risk and liquidity risk.

## Mutual Fund Securities

Investing in mutual funds carries inherent risk. The major risks of investing in a mutual fund include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification, and the type and amount of sector diversification within specific industries. In addition, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold the fund.

## Exchange-Traded Funds ("ETFs")

ETFs are investment companies whose shares are bought and sold on a securities exchange. An ETF holds a portfolio of securities designed to track a particular market segment or index. Some examples of ETFs are SPDRs®, streetTRACKS®, DIAMONDSSM, NASDAQ 100 Index Tracking StockSM ("QQQs SM"), iShares® and VIPERs®. The funds could purchase an ETF to gain exposure to a portion of the U.S. or foreign market. The funds, as a shareholder of another investment company, will bear their pro rata portion of the other investment company's advisory fee and other expenses, in addition to their own expenses.

Investing in ETFs involves risk. Specifically, ETFs, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price movement of the ETF or enhancing any downward price movement. Also, ETFs require more frequent portfolio reporting by regulators and are thereby more susceptible to actions by hedge funds that could have a negative impact on the price of the ETF. Certain ETFs may employ leverage, which creates additional volatility and price risk depending on the amount of leverage utilized, the collateral, and the liquidity of the

supporting collateral. Further, the use of leverage (i.e., employ the use of margin) generally results in additional interest costs to the ETF. Certain ETFs are highly leveraged and therefore have additional volatility and liquidity risk. Volatility and liquidity can severely and negatively impact the price of the ETF's underlying portfolio securities, thereby causing significant price fluctuations of the ETF.

## Fixed Income Securities

Fixed income securities carry additional risks than those of equity securities described above. These risks include the company's ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S or foreign), and currency risk. If bonds have maturities of ten years or greater, they will likely have greater price swings when interest rates move up or down. The shorter the maturity the less volatile the price swings. Foreign bonds have liquidity and currency risk.

## Corporate Debt, Commercial Paper, and Certificates of Deposit

Fixed income securities carry additional risks than those of equity securities described above. These risks include the company's ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S or foreign), and currency risk. If bonds have maturities of ten years or greater, they will likely have greater price swings when interest rates move up or down. The shorter the maturity the less volatile the price swings. Foreign bonds also have liquidity and currency risk.

Commercial paper and certificates of deposit are generally considered safe instruments, although they are subject to the level of general interest rates, the credit quality of the issuing bank, and the length of maturity. With respect to certificates of deposit, depending on the length of maturity there can be prepayment penalties if the client needs to convert the certificate of deposit to cash prior to maturity.

## Municipal Securities

Municipal securities carry additional risks than those of corporate and bank-sponsored debt securities described above. These risks include the municipality's ability to raise additional tax revenue or other revenue (in the event the bonds are revenue bonds) to pay interest on its debt and to retire its debt at maturity. Municipal bonds are generally tax free at the federal level, but may be taxable in individual states other than the state in which both the investor and municipal issuer is domiciled.

## U.S. Government Securities

U.S. government securities include securities issued by the U.S. Treasury and by U.S. government agencies and instrumentalities. U.S. government securities may be supported by the full faith and credit of the United States.

## Private Placements

Private placements may carry significant risk in that companies using the private placement market conduct securities offerings that are exempt from registration under the federal securities laws, which means that investors do not have access to public information and such investors are not provided with the same amount of information that they would receive if the securities offering was a public offering. Moreover, many companies using private placements do so to raise equity capital in the start-up phase of their business, or require additional capital to complete another phase in their growth objective. In addition, the securities issued in connection with private placements are restricted securities, which mean that they are not traded on a secondary market, such as a stock exchange, and they are thus illiquid and cannot be readily converted to cash. The private placement offering memorandum or prospectus

(disclosure document) describes minimum investor requirements and all risks associated with the offering, and should be reviewed and considered carefully before investing.

## Structured Products

Structured products are generally designed to facilitate customized risk-return objectives. While structured products come in many different forms, they typically consist of a debt security that is structured to make interest and principal payments based upon various assets, rates, or formulas. Many structured products include an embedded derivative component. Structured products may be structured in the form of a security, in which case these products may receive benefits provided under federal securities law, or they may be cast as derivatives, in which case they are offered in the over-the-counter market and are subject to no regulation.

Investment in structured products includes significant risks, including valuation, liquidity, price, credit, and market risks. One common risk associated with structured products is a relative lack of liquidity due to the highly-customized nature of the investment. Moreover, the full extent of returns from the complex performance features is often not realized until maturity. As such, structured products tend to be more of a buy-and-hold investment decision rather than a means of getting in and out of a position with speed and efficiency.

Another potential risk with structured products is the credit quality of the issuer. Although the cash flows are generally derived from other sources, the products themselves are legally considered to be the issuing financial institution's liabilities. Also, there is a lack of pricing transparency. There is no uniform standard for pricing, making it harder to compare the net-of-pricing attractiveness of alternative structured product offerings than it is, for instance, to compare the net expense ratios of different mutual funds or commissions among broker-dealers.

## Government and Agency Mortgage-Backed Securities

The principal issuers or guarantors of mortgage-backed securities are the Government National Mortgage Association ("GNMA"), Fannie Mae ("FNMA"), and the Federal Home Loan Mortgage Corporation ("FHLMC"). GNMA, a wholly owned U.S. government corporation within the Department of Housing and Urban Development ("HUD"), creates pass-through securities from pools of government-guaranteed (Farmers' Home Administration, Federal Housing Authority or Veterans Administration) mortgages. The principal and interest on GNMA pass-through securities are backed by the full faith and credit of the U.S. government.

FNMA, which is a U.S. government-sponsored corporation owned entirely by private stockholders that is subject to regulation by the secretary of HUD, and FHLMC, a corporate instrumentality of the U.S. government, issue pass-through securities from pools of conventional and federally insured and/or guaranteed residential mortgages. FNMA guarantees full and timely payment of all interest and principal, and FHMLC guarantees timely payment of interest and ultimate collection of principal of its pass-through securities. Mortgage-backed securities from FNMA and FHLMC are *not* backed by the full faith and credit of the U.S. government.

## Corporate Debt Obligations

Corporate debt obligations include corporate bonds, debentures, notes, commercial paper, and other similar corporate debt instruments. Companies use these instruments to borrow money from investors. The issuer pays the investor a fixed or variable rate of interest and must repay the amount borrowed at maturity. Commercial paper (short-term unsecured promissory notes) is issued by companies to finance their current obligations and normally has a maturity of less than nine months. In addition, the firm may

invest in corporate debt securities registered and sold in the United States by foreign issuers (Yankee bonds) and those sold outside the U.S. by foreign or U.S. issuers (Eurobonds).

## Mortgage-Backed Securities

Mortgage-backed securities represent interests in a pool of mortgage loans originated by lenders such as commercial banks, savings associations, and mortgage bankers and brokers. Mortgage-backed securities may be issued by governmental or government-related entities, or by non-governmental entities such as special-purpose trusts created by commercial lenders.

Pools of mortgages consist of whole mortgage loans or participations in mortgage loans. The majority of these loans are made to purchasers of between one and four family homes. The terms and characteristics of the mortgage instruments are generally uniform within a pool but may vary among pools. For example, in addition to fixed-rate, fixed-term mortgages, the firm may purchase pools of adjustable-rate mortgages, growing equity mortgages, graduated payment mortgages, and other types. Mortgage poolers apply qualification standards to lending institutions, which originate mortgages for the pools as well as credit standards and underwriting criteria for individual mortgages included in the pools. In addition, many mortgages included in pools are insured through private mortgage insurance companies.

Mortgage-backed securities differ from other forms of fixed income securities, which normally provide for periodic payment of interest in fixed amounts with principal payments at maturity or on specified call dates. Most mortgage-backed securities, however, are pass-through securities, which means that investors receive payments consisting of a pro rata share of both principal and interest (less servicing and other fees), as well as unscheduled prepayments as loans in the underlying mortgage pool are paid off by the borrowers. Additional prepayments to holders of these securities are caused by prepayments resulting from the sale or foreclosure of the underlying property or refinancing of the underlying loans. As prepayment rates of individual pools of mortgage loans vary widely, it is not possible to accurately predict the average life of a particular mortgage-backed security. Although mortgage-backed securities are issued with stated maturities of up to 40 years, unscheduled or early payments of principal and interest on the mortgages may shorten considerably the securities' effective maturities.

## Asset-Backed Securities

Like mortgages-backed securities, the collateral underlying asset-backed securities are subject to prepayment, which may reduce the overall return to holders of asset-backed securities. Asset-backed securities present certain additional and unique risks. Primarily, these securities do not always have the benefit of a security interest in collateral comparable to the security interests associated with mortgage-backed securities. Credit card receivables are in general unsecured. Debtors are entitled to the protection of a number of state and federal consumer credit laws, many of which give such debtors the right to set-off certain amounts owed on the credit cards, thereby reducing the balance due.

Generally, automobile receivables are secured by automobiles. Most issuers of automobile receivables permit the loan servicers to retain possession of the underlying obligations. If the servicer were to sell these obligations to another party, there is a risk that the purchaser would acquire an interest superior to that of the holders of the asset-backed securities. In addition, because of the large number of vehicles involved in a typical issuance and the technical requirements under state laws, the trustee for the holders of the automobile receivables may not have a proper security interest in the underlying automobiles. As a result, the risk that recovery on repossessed collateral might be unavailable or inadequate to support payments on asset-backed securities is greater for asset-backed securities than for mortgage-backed securities. In addition, because asset-backed securities are relatively new, the market experience in these securities is limited and the market's ability to sustain liquidity through all phases of an interest rate or economic cycle has not been tested.

Investing in securities involves risk of loss that clients should be prepared to bear.

## B. Investment Strategy and Method of Analysis Material Risks

Our investment strategy is custom-tailored to the client's stated goals, investment objectives, risk tolerance, and personal and financial circumstances.

### B.1. Margin Leverage

Although CLW, as a general business practice, does not utilize leverage, there may be instances in which exchange-traded funds, other separate account managers and, in very limited circumstances, CLW will utilize leverage. In this regard please review the following:

The use of margin leverage enhances the overall risk of investment gain and loss to the client's investment portfolio. For example, investors are able to control \$2 of a security for \$1. So if the price of a security rises by \$1, the investor earns a 100% return on their investment. Conversely, if the security declines by \$.50, then the investor loses 50% of their investment.

The use of margin leverage entails borrowing, which results in additional interest costs to the investor. Broker-dealers who carry customer accounts require a minimum equity requirement when clients utilize margin leverage. The minimum equity requirement is stated as a percentage of the value of the underlying collateral security with an absolute minimum dollar requirement. For example, if the price of a security declines in value to the point where the excess equity used to satisfy the minimum requirement dissipates, the broker-dealer will require the client to deposit additional collateral to the account in the form of cash or marketable securities. A deposit of securities to the account will require a larger deposit, as the security being deposited is included in the computation of the minimum equity requirement. In addition, when leverage is utilized and the client needs to withdraw cash, the client must sell a disproportionate amount of collateral securities to release enough cash to satisfy the withdrawal amount based upon similar reasoning as cited above.

Regulations concerning the use of margin leverage are established by the Federal Reserve Board and vary if the client's account is held at a broker-dealer versus a bank custodian. Broker-dealers and bank custodians may apply more stringent rules as they deem necessary.

### B.2. Short-Term Trading

Although CLW, as a general business practice, does not utilize short-term trading, there may be instances in which short-term trading may be necessary or an appropriate strategy. In this regard, please read the following:

There is an inherent risk for clients who trade frequently in that high-frequency trading creates substantial transaction costs that in the aggregate could negatively impact account performance.

### B.3. Short Selling

CLW generally does not engage in short selling but reserves the right to do so in the exercise of its sole judgment. Short selling involves the sale of a security that is borrowed rather than owned. When a short sale is effected, the investor is expecting the price of the security to decline in value so that a purchase or closeout of the short sale can be effected at a significantly lower price. The primary risks of effecting short sales are the availability to borrow the stock, the unlimited potential for loss, and the requirement to fund any difference between the short credit balance and the market value of the security.

## B.4. Option Strategies

Various option strategies give the holder the right to acquire or sell underlying securities at the contract strike price up until expiration of the option. Each contract is worth 100 shares of the underlying security. Options generally entail greater risk but allow an investor to have market exposure to a particular security or group of securities without the capital commitment required to purchase the underlying security or groups of securities. In addition, options allow investors to hedge security positions held in the portfolio. For detailed information on the use of options and option strategies, please contact the Options Clearing Corporation for the current Options Risk Disclosure Statement.

CLW as part of its investment strategy may employ the following option strategies:

- Covered call writing
- Long call options purchases
- Long put options purchases
- Option spreading
- Short call option strategy
- Short put option strategy
- Equity collars
- Long straddles

### Covered Call Writing

Covered call writing is the sale of in-, at-, or out-of-the-money call option against a long security position held in the client portfolio. This type of transaction is used to generate income. It also serves to create downside protection in the event the security position declines in value. Income is received from the proceeds of the option sale. Such income may be reduced to the extent it is necessary to buy back the option position prior to its expiration. This strategy may involve a degree of trading velocity, transaction costs, and significant losses if the underlying security has volatile price movement. Covered call strategies are generally suited for companies with little price volatility.

### Long Call Option Purchases

Long call option purchases allow the option holder to be exposed to the general market characteristics of a security without the outlay of capital necessary to own the security. Options are wasting assets and expire (usually within nine months of issuance), and thus can expose the investor to significant loss.

### Long Put Option Purchases

Long put option purchases allow the option holder to sell or “put” the underlying security at the contract strike price at a future date. If the price of the underlying security declines in value, the value of the long put option increases. In this way long puts are often used to hedge a long stock position. Options are wasting assets and expire (usually within nine months of issuance), and as a result can expose the investor to significant loss.

### Option Spreading

Option spreading usually involves the purchase of a call option and the sale of a call option at a higher contract strike price, both having the same expiration month. The purpose of this type of transaction is to allow the holder to be exposed to the general market characteristics of a security without the outlay of capital to own the security, and to offset the cost by selling the call option with a higher contract strike price. In this type of transaction, the spread holder “locks in” a maximum profit, defined as the difference

in contract prices reduced by the net cost of implementing the spread. There are many variations of option spreading strategies; please contact the Options Clearing Corporation for a current Options Risk Disclosure Statement that discusses each of these strategies.

### Short Call Option Strategy

Short call option strategy is speculative and has theoretical potential for unlimited loss. The seller (writer) of the call option receives proceeds (premium) from the sale of the option. The expectation is that the value of the underlying security will remain below the contract strike price and the option will expire worthless, allowing the option writer to keep the entire amount of the sale proceeds (premium). Should the value of the underlying security increase above the contract strike price, then the option writer can either purchase the call option at a loss, or through a process of exercise and assignment be forced to sell the stock at the contract strike price. If this happens, the option writer will have to go in the open market and buy an equivalent amount of stock to cover the sale at prices that can be materially higher than the amount received from the sale.

### Short Put Option Strategy

Short put option strategy is speculative and has theoretical potential for significant loss. The seller (writer) of the put option receives proceeds (premium) from the sale of the option. The expectation is that the value of the underlying security will remain above the contract strike price and the option will expire worthless, allowing the option writer to keep the entire amount of the sale proceeds (premium). Should the value of the underlying security decrease below the contract strike price, the option writer can either purchase the put option at a loss, or through a process of exercise and assignment be forced to buy the stock at the contract strike price. If this happens, the option writer will be purchasing the underlying security at a price potentially well above its then-current market value, exposing the investor to potential loss.

### Equity Collar

A collar combines both a cap and a floor. A cap gives the purchaser of the cap the right (for a premium payment), but not the obligation, to receive the difference in the cost on some amount when a specified index rises above the specified “cap rate.” A floor is the opposite of a cap—it gives the purchaser of the floor the right (for a premium payment), but not the obligation, to receive the difference in interest payable on an amount when a specified index falls below the specified “floor rate.” A collar involving stock is called an “equity collar.” In a collar transaction, the buyer of the collar purchases a cap while selling a floor indexed to the same rate or asset. A zero-cost collar results when the premium earned by selling a floor exactly offsets the cap premium.

### Long Straddle

A long straddle is the purchase of a long call and a long put with the same underlying security, expiration date and strike price. This is a speculative trade that may be profitable when volatility is high and will result in a loss when prices of the underlying security are relatively stable.

### C. Security-Specific Material Risks

There is an inherent risk for clients who have their investment portfolios heavily weighted in one security, one industry or industry sector, one geographic location, one investment manager, one type of investment instrument (equities versus fixed income). Clients who have diversified portfolios, as a general rule, incur less volatility and therefore less fluctuation in portfolio value than those who have concentrated holdings. Concentrated holdings may offer the potential for higher gain, but also offer the potential for significant loss.

## **Item 9: Disciplinary Information**

### **A. Criminal or Civil Actions**

There is nothing to report on this item.

### **B. Administrative Enforcement Proceedings**

There is nothing to report on this item.

### **C. Self-Regulatory Organization Enforcement Proceedings**

There is nothing to report on this item.

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

### **A. Broker-Dealer or Representative Registration**

#### **A.1. Cabot Lodge Securities LLC**

Certain managers, members, and registered employees of CLW are also registered representatives with Cabot Lodge Securities LLC (“CLS”), our affiliated broker-dealer, as previously described with detail in Item 5-E. “External Compensation for the Sale of Securities to Clients”. In their capacity as registered representatives, these persons may receive commission-based compensation in connection with the purchase and sale of securities (such as stocks, bonds, mutual funds, variable annuities, limited partnerships, and mutual funds, including 12b-1 quarterly fees in some mutual funds) through CLS.

CLW is also under common control and ownership of Purshe Kaplan Sterling Investments, Inc. (“PKSI”) an SEC registered broker-dealer and member of FINRA. It is anticipated that certain of the Supervised Persons of CLS will be registered representatives of PKSI, and in their individual capacities, effect securities brokerage transactions on a commission basis, including transactions for CLW’s investment advisory clients, as authorized. Separately, the Firm’s representatives may recommend PKSI for the purchase of certain securities.

Clients should be advised that there is a conflict of interest for CLW in that there is an economic incentive for IARs, acting as registered representatives through CLS, to recommend securities transactions through CLS. Please also be advised that although CLW strives to put its clients’ interests first, recommendations to CLS may be viewed as being in the best interests of the IAR/RR, as opposed to the best interests of the client.

CLW mitigates this conflict by holding their IARs to the high ethical standards of our fiduciary duty to put clients’ needs first, and an annual commitment to comply with our required code of conduct outlined in our Code of Ethics. If a client maintains an account with both CLW and CLS and is charged advisory fees in addition to commissions or mark-ups, CLW may reduce client’s advisory fees to offset the commissions or mark-ups paid.

Clients are not obligated, contractually or otherwise, to use the services of CLS for the purchase or sale of commission-based securities transactions.

## B. Futures or Commodity Registration

Neither CLW nor its affiliates are registered as a commodity firm, futures commission merchant, commodity pool operator, or commodity trading adviser and do not have an application to register pending.

## C. Material Relationships Maintained by this Advisory Business and Conflicts of Interest

### C.1. Recommendation of Third-Party Advisers

CLW may recommend that you use a third-party manager based on your needs and suitability. We may receive compensation from the third-party manager for recommending that you use their services. Please be advised that there is a potential conflict of interest in that there is an economic incentive to recommend such third-party managers. Please also be advised that although CLW strives to put its clients' interests first, recommendations of such third-party managers may be viewed as being in the best interests of CLW as opposed to the best interests of the client. Clients are not obligated, contractually or otherwise, to use the services of any third-party manager we recommend.

### C.2. Insurance

PKS Holdings, LLC, the sole member of CLW is also the sole member of CL General Agency, LLC ("CLGA") and PKS Financial Services, Inc. ("PKSFS") and"). CLGA and PKSFS are insurance agencies licensed in all states in which they conduct business. Certain of CLGA's Supervised Persons, in their individual capacities, are also licensed insurance agents with PKSFS and various insurance companies, and in such capacity, recommend, on a fully-disclosed commission basis, the purchase of certain insurance products. While CLGA does not sell such insurance products to its investment advisory clients, CLGA does permit its Supervised Persons, in their individual capacities as licensed insurance agents, to sell insurance products to its investment advisory clients. A conflict of interest exists to the extent that CLGA recommends the purchase of insurance products where CLGA's Supervised Persons receive insurance commissions or other additional compensation.

Please be advised that there is a potential conflict of interest in that there is an economic incentive to recommend such insurance products for a commission and for products requiring a securities and insurance license (such as variable annuities and variable life products), clients may be limited to those insurance carriers that have a selling agreement with CLW's affiliated broker-dealer, CLS.

## D. Recommendation or Selection of Other Investment Advisers and Conflicts of Interest

CLW may recommend separate account managers or other investment products to advisory clients in which it receives some form of direct or indirect compensation from the separate account manager or investment product sponsor. Please be advised that although CLW strives to put its clients' interests first, there is a potential conflict of interest in that any compensation received by CLW, either direct or indirect, for the recommendation of separate account managers or investment products to advisory clients may be viewed as being in the best interest of CLW as opposed to being in the best interest of the client.

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

### A. Code of Ethics Description

In accordance with the Advisers Act, CLW has adopted policies and procedures designed to detect and

prevent insider trading. In addition, CLW has adopted a Code of Ethics (the “Code”) for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at CLW must acknowledge the terms of the Code of Ethics

The Code includes written procedures governing the conduct of CLW’s advisory and supervised persons. The Code also imposes certain reporting obligations on persons subject to the Code. The Code and applicable securities transactions are monitored by the chief compliance officer of CLW. CLW will send clients a copy of its Code of Ethics upon written request.

CLW has policies and procedures in place to ensure that the interests of its clients are given preference over those of CLW, its affiliates, and its employees. For example, there are policies in place to prevent the misappropriation of material non-public information, and such other policies and procedures reasonably designed to comply with federal and state securities laws.

## **B. Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest**

CLW does not engage in principal trading (i.e., the practice of selling stock to advisory clients from a firm’s inventory or buying stocks from advisory clients into a firm’s inventory). In addition, CLW does not recommend any securities to advisory clients in which it has some proprietary or ownership interest.

## **C. Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest**

CLW, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may purchase the same securities as are purchased for clients in accordance with its Code of Ethics policies and procedures. The personal securities transactions by advisory representatives and employees may raise potential conflicts of interest when they trade in a security that is owned by the client, or considered for purchase or sale for the client.

Such conflict generally refers to the practice of front-running (trading ahead of the client), which CLW specifically prohibits. CLW has adopted policies and procedures that are intended to address these conflicts of interest. These policies and procedures require our advisory representatives and employees to act in the client’s best interest, prohibit front-running, and provide for the review of transactions to discover and correct any trades that result in an advisory representative or employee benefitting at the expense of a client.

Advisory representatives and employees must follow CLW’s procedures when purchasing or selling the same securities purchased or sold for the client.

## **D. Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest**

CLW, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may affect securities transactions for their own accounts that are the same as those recommended to or effected for other CLW clients. CLW will make reasonable efforts to trade securities in client accounts at or prior to trading the securities in its affiliate, corporate, employee or employee-related accounts. Trades executed the same day will likely be subject to an average pricing calculation (please refer to Item 12.B.3 Order Aggregation). It is the policy of CLW to place the client's interests above those of CLW and its supervised persons and related accounts.

## Item 12: Brokerage Practices

### Factors Used to Select Broker-Dealers for Client Transactions

#### A. Custodian Recommendations / Directed Brokerage

CLW utilizes and extends to clients the custodial and clearing services of RBC Correspondent Services ("RBC") and Schwab Advisor Services (Schwab). to maintain custody of their assets and to effect trades for their accounts. These firms are all members of FINRA ([www.finra.org](http://www.finra.org)) and SIPC ([www.sipc.org](http://www.sipc.org)). We believe that RBC, and Schwab provide quality execution services for you at competitive prices. Price is not the sole factor we consider in evaluating Custodians. We also consider the quality of the brokerage and other account and custody services, execution capabilities, commission rates, account fees, access to institutional custody and trading services available through and provided by RBC and Schwab the individual firms' reputation, research available, and responsiveness to our clients and our firm. Please note, however, that our firm is independently owned and operated and is not affiliated with RBC and Schwab..

You may choose to place your assets and establish accounts with firms other than RBC or Schwab. You may pay higher commissions and/or trading costs at RBC or Schwab, than those that may be available elsewhere.

Supervised Persons providing investment advice on behalf of CLW who are also registered representatives of Cabot Lodge Securities ("CLS"), CLW's affiliated broker-dealer, will generally recommend CLS to clients for brokerage services through RBC as their clearing firm. These supervised persons are subject to applicable rules that restrict them from conducting non-advisory securities transactions away from CLS unless CLS provides the representative with written authorization to do so. Therefore, these supervised persons are generally limited to conducting securities non-advisory transactions through CLS or CLS-approved clearing firms/custodians.

You may utilize the broker-dealer of your choice, or you may choose to purchase or sell securities through CLS or any other broker-dealer, clearing firm or custodian we recommend. However, if you do not use our approved, recommended custodians, we may not be able to accept your account.

For CLW client accounts, your chosen custodian generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through the custodian or that settle into custodian accounts. All fees associated with each custodian are disclosed in the custodian's individual account opening documents and fee schedules. Clients are urged to read them carefully.

#### A.1. Research and Other Benefits

Soft Dollar Benefits. If we receive research or other products or services other than execution from a custodian or a third party in connection with client securities transactions ("soft dollar benefits"), we are required to disclose our practices and discuss the conflicts of interest they create. Please note that we must disclose all benefits we receive, including, in the case of research, both proprietary research (created or developed by the custodian) and research created or developed by a third party.

Our custodial agreement with Schwab stated that they are willing to assist CLW by offering payment for eligible third-party vendor services and services provided by Schwab affiliates not to exceed \$5,000 for certain Marketing, Technology, Creation of Compliance Manual or Research expenses. Such payments would be considered "soft dollar benefits" and available to CLW based upon a certain level of CLW client's assets transferred in to, and to be held at, Schwab during the initial 12 months of CLW's custodial

agreement with them. These benefits create a conflict of interest, as it requires and encourages CLW to reach and maintain a certain level of client assets transferred in to Schwab, whether or not it is in the client's best interest. As of the date of this brochure, CLW has not requested or received any of these reimbursement funds from Schwab and has no expectation of receiving them in the future.

Our firm may have arrangements with Schwab and RBC which provides us with their "platform" services. These "platform" services include, among others, brokerage, transaction clearing, custodial, record keeping, limited compliance and administrative support, and related services that are intended to support our firm in conducting business and in serving the best interests of our clients.

Schwab and RBC also makes certain research and brokerage services available at no additional cost to our firm. These services include certain research and brokerage services, including research services obtained by Schwab and RBC directly from independent research companies, as selected by our firm (within specific parameters). Research products and services provided to our firm by Schwab and RBC may include research reports on recommendations or other information about particular companies or industries, economic surveys, data and analyses, financial publications, portfolio evaluation services, financial database software and services, computerized news and pricing services, quotation equipment for use in running software used in investment decision-making, and other products or services that provide lawful and appropriate assistance to our firm in the performance of our investment decision-making responsibilities and recommendations to clients.

The aforementioned research and brokerage services are used by our firm to manage accounts for which we have investment discretion. Without this arrangement, our firm might be compelled to purchase the same or similar services at our own expense.

As a result of receiving the services for no additional cost, we may have an incentive to continue to use or expand the use of Schwab's services. Our firm examined this potential conflict of interest when we chose to enter into the relationship with Schwab and RBC and we have determined that these relationships are in the best interests of our firm's clients, satisfying our client fiduciary obligations.

Schwab and RBC charge brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transaction fees are charged for certain mutual funds, commissions are charged for individual equity and debt securities transactions). In some instances, Schwab and RBC does charge transaction fees to clients. They enable us to obtain many no-load mutual funds without transaction charges and other funds at nominal transaction charges.

Schwab's and RBC's commission rates are generally discounted from customary retail commission rates. However, the commission and transaction fees charged by Schwab and RBC may be higher or lower than those charged by other custodians and clearing firms.

### Institutional Trading and Custody Services

The custodian's brokerage services that we recommend to our clients include the execution of securities transactions, custody, research, and access to open-ended institutional class mutual fund shares and other investments that are otherwise generally available only to institutional investors, or may require a significantly higher minimum initial investment.

### Other Products and Services

The custodians also make available to CLW 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 CLW's fees from its clients' accounts, assist with back-office functions,

recordkeeping, and client reporting. The custodian may also offer other services intended to help CLW manage and further develop its business enterprise. These services may include compliance, legal, and business consulting publications, conferences on practice management and business succession, and insurance providers. The custodian may make available, arrange, and/or pay third-party vendors for the types of services rendered to CLW. The custodian may discount or waive fees it would otherwise charge for some of these services or all or a part of the fees of a third-party providing these services to CLW. The custodians may also provide other benefits such as educational events or occasional business entertainment of CLW personnel. In evaluating whether to recommend that clients custody their assets at the custodian, CLW may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers, and not solely the nature, cost, or quality of custody and brokerage services provided by the custodian, which may create a potential conflict of interest.

### Independent Third Parties

The custodians we have relationships with, and have discussed previously, may make available, arrange, and/or pay for these types of services rendered to CLW by independent third-parties. The custodian may discount or waive fees it would otherwise charge for some of these services, or pay all or a part of the fees of a third-party providing these services to CLW. CLW's recommendation that clients maintain their assets in accounts at the custodian may be based in part on the benefit to CLW of the availability of some of the foregoing products and services, and not solely on the nature, cost, or quality of custody and brokerage services provided by the custodians, which may create a potential conflict of interest.

### Additional Compensation Received from Custodians

The custodians we use may pay for business consulting and professional services received by CLW's related persons, and may pay or reimburse expenses (including travel, lodging, meals and entertainment expenses for CLW's personnel to attend conferences). Some of the products and services made available by such custodians through their institutional customer programs may benefit CLW but may not benefit its client accounts. These products or services may assist CLW in managing and administering client accounts, including accounts not maintained at the custodian as applicable. Other services made available through the programs are intended to help CLW manage and further develop its business enterprise. The benefits received by CLW or its personnel through participation in these programs do not depend on the amount of brokerage transactions directed to the custodian.

### A.2. Brokerage for Client Referrals

Firms may have an incentive to select or recommend a broker-dealer based on their interest in receiving client referrals, rather than on clients' interest in receiving most favorable execution. CLW does not receive, nor do we have expectations of receiving, client referrals from broker-dealers we recommend to our clients. CLW does not engage in the practice of directing brokerage commissions in exchange for the referral of advisory clients.

### A.3. Directed Brokerage

#### CLW Recommendations

CLW typically recommends Cabot Lodge Securities LLC, and its clearing firms RBC or Schwab, as custodians for clients' funds and securities and to execute securities transactions on its clients' behalf.

#### Client-Directed Brokerage

Occasionally, clients may direct CLW to use a particular broker-dealer to execute portfolio transactions for their account or request that certain types of securities not be purchased for their account. Clients who designate the use of a particular broker-dealer should be aware that they will lose any possible advantage CLW derives from aggregating transactions. Such client trades may typically be executed after the trades of clients who have not directed the use of a particular broker-dealer. CLW loses the ability to aggregate trades with other CLW advisory clients, potentially subjecting the client to inferior trade execution prices as well as higher commissions.

## Special Considerations for ERISA Clients

A retirement or ERISA plan client may direct all or part of portfolio transactions for its account through a specific broker or dealer in order to obtain goods or services on behalf of the plan. Such direction is permitted provided that the goods and services provided are reasonable expenses of the plan incurred in the ordinary course of its business for which it otherwise would be obligated and empowered to pay. ERISA prohibits directed brokerage arrangements when the goods or services purchased are not for the exclusive benefit of the plan. CLW will make reasonable efforts to ensure goods and/or services purchased through CLW are for the exclusive benefit of the plan, particularly if the plan administrator requests a directed brokerage arrangement. Currently, ERISA clients are not a material part of CLW's business.

## B. Aggregating Securities Transactions for Client Accounts

### B.1. Best Execution

CLW recognizes that the analysis of execution quality involves a number of factors, both qualitative and quantitative. CLW will follow a process in an attempt to ensure that it is seeking to obtain the best execution under the prevailing circumstances when placing client orders. CLW's policy of using RBC or, Schwab, as qualified custodians / broker-dealers is clearly disclosed to clients through our form ADV Part 2A Brochure. It is not CLW's intention to just seek the lowest cost brokerage execution services through competing broker-dealers, but to find the best quality and service in the interests of our clients.

### B.2. Security Allocation

Since CLW may be managing accounts with similar investment objectives, CLW may aggregate orders for securities for such accounts. In such event, allocation of the securities so purchased or sold, as well as expenses incurred in the transaction, is made by CLW in the manner it considers to be the most equitable and consistent with its fiduciary obligations to such accounts.

CLW's allocation procedures seek to allocate investment opportunities among clients in the fairest possible way, considering the clients' best interests. CLW will follow procedures to ensure that allocations do not involve a practice of favoring or discriminating against any client or group of clients. Account performance is never a factor in trade allocations.

CLW's advice to certain clients and entities and the action of CLW for those and other clients are frequently premised not only on the merits of a particular investment, but also on the suitability of that investment for the particular client considering his or her applicable investment objective, guidelines and circumstances. Thus, any action of CLW with respect to a particular investment may, for a particular client, differ or be opposed to the recommendation, advice, or actions of CLW to or on behalf of other clients.

### B.3. Order Aggregation

Under certain circumstances, orders for the same security entered on behalf of more than one client may be aggregated (i.e., blocked or bunched) subject to the aggregation being in the best interests of all participating clients. Subsequent orders for the same security entered during the same trading day may be aggregated with any previously unfilled orders. Subsequent orders may also be aggregated with filled orders if the market price for the security has not materially changed. All clients participating in each aggregated order will receive the average price and, subject to minimum ticket charges and possible step outs, pay a pro rata portion of commissions.

To minimize performance dispersion, “strategy” trades should be aggregated and average priced. However, when a trade is to be executed for an individual account and the trade is not in the best interests of other accounts, then the trade will only be performed for that account.

#### **B.4. Allocation of Trades**

All allocations will be made prior to the close of business on the trade date. In the event an order is “partially filled,” the allocation will be made in the best interests of all the clients in the order, considering all relevant factors including, but not limited to, the size of each client’s allocation, clients’ liquidity needs and previous allocations. In most cases, accounts will get a pro forma allocation based on the initial allocation. This policy also applies if an order is “over-filled.”

CLW acts in accordance with its duty to seek best price and execution and will not continue any arrangements if CLW determines that such arrangements are no longer in the best interest of its clients.

#### **B.5. Trade Errors**

From time to time, our firm may make an error in submitting a trade order on a client’s behalf. When this occurs, we may place a correcting trade with the broker- dealer which has custody of the client’s account. In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Clients will not share in any profit or loss associated with the error.

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

A CL Wealth Management investment adviser representative works directly with each client or account holder. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. The IAR will monitor portfolio advisory accounts on an ongoing basis and will conduct a review of the account at least annually. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment. Client’s may request additional reviews at any time. Accounts are also reviewed periodically by executive members of the firm.

Each client receives periodic written account statements from their chosen account custodian. The normal statement review cycle is at least quarterly; some custodians may send monthly statements. Written reports for accounts managed by third-party managers are generated by that third-party manager or by the qualified custodian holding the account.

Investment adviser representatives will review your financial plan periodically upon your request for a separate fee to ensure that the planning advice remains consistent with your current stated investment needs and objectives. Written updates to the financial plan may be provided in conjunction with the review. We will not provide regular written reports to you for financial planning and consulting services unless you elect to purchase update services.

## Item 14: Client Referrals and Other Compensation

### A. Economic Benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest

CLW has a formal business relationship with CLW's approved and unaffiliated custodians; RBC and Schwab, and with several third-party advisers, such as Envestnet. CLW may recommend that clients establish their account(s) with one of the custodians to enable CLW to manage the account, or CLW may refer you to a third-party account adviser to manage your account. Such recommendations or referrals generally result in compensation to CLW.

In addition to the benefits described in Item 12.A.1 of this Brochure, our approved account custodians, RBC and Schwab may also make available to our firm other products and services that benefit us, but may not benefit our clients' accounts.

These "benefits" may include national, regional or investment adviser-specific educational events organized and/or sponsored by one of our approved custodians or third-party managers. Other potential benefits may include occasional business entertainment of CLW personnel by one of our approved custodians' personnel, including meals, invitations to sporting events including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities. Occasionally, CLW representatives may also receive trinkets or gifts, of little or no value, displaying the custodians' or third-party's logo.

Our custodians may also make available to our firm other services intended to help our firm manage and further develop our business enterprise. These services may include professional compliance assistance, legal and business consulting, and publications and conferences on practice management, information technology, business succession, regulatory compliance, insurance, and marketing. Our custodians may discount or waive fees it would otherwise charge for some of these services, or pay all or a part of the fees of a third-party providing these services to our firm.

While, as a fiduciary, our firm endeavors to act in our clients' best interests, our recommendation that clients maintain their assets in accounts at one of our custodians may be based in part on the benefit to our firm of the availability of some of the foregoing products and services and other arrangements, and not solely on the nature, cost, or quality of custody and brokerage services provided by these custodians, which may create a conflict of interest.

As a result of receiving the aforementioned products and services for no cost, we have an incentive to continue to refer or place client accounts with these custodians offering the products and services. This interest may conflict with the clients' interest of obtaining the lowest commission rate available. Therefore, we must determine in good faith, based on the best execution policy stated above, that such commissions and other account costs are reasonable in relation to the value of the services provided by these custodians and third-party managers.

Our firm examined this conflict of interest when we chose to enter into these relationships, and we have determined that these relationships are in the best interest of our clients, satisfying our client obligations including our duty to seek best execution, prior to placing or referring each respective client.

CLW may also receive research from our qualified custodians in which we recommend to clients. Such research is not conditioned on any specific level of compensation or account size, and is provided to us as an incidental benefit for utilizing them as an account custodian.

From time to time, we may also receive research or market commentary from any of our third-party managers. Such research is not conditioned on any specific level of assets placed with any manager and is provided as an incidental benefit for having referred that asset manager on our platform.

## B. Advisory Firm Payments for Client Referrals

CLW may pay cash referral fees to a third-party (Solicitor) that solicits investment adviser clients on its behalf. A Solicitor is not an officer, director or other employee of CLW, but will have the status as that of an "independent contractor." Any arrangement with a solicitor is in strict compliance with SEC Rule 206(4)-3 under the Investment Advisers Act of 1940.

The Solicitor's activities on behalf of CLW are limited to client solicitation. Solicitors are NOT authorized to enter into any undertaking or agreement, or to render any investment advice, on behalf of CLW.

CLW will pay the Solicitor a cash referral fee that is a percentage of the gross investment advisor fee charged to the client brought to CLW through the direct efforts of the solicitor. Referral fees or other compensation payable to the Solicitor shall be based initially on the value of the assets of those clients referred to and under the management of CLW. Subsequent compensation to the Solicitor shall be based on the value of the client's account(s), adjusted for any contributions or withdrawals from the account(s) by the client, and for any subsequent capital appreciation or depreciation in the value of assets under CLW's management.

### Item 15: Custody

All CLW client account funds and securities are held by a qualified custodian, not CLW, as discussed previously in Items 12A and 14. Client statements are sent directly to the client by the qualified custodian. Each client should carefully review every statement sent by the qualified custodian. Clients are urged to compare statements received from their chosen qualified custodian to any account summary, statement or report that may be generated by CLW.

As stated previously, we do not hold actual or constructive custody of any client assets. Custody of assets in all our clients' accounts is held by an independent custodian, as disclosed in the "Brokerage Practices" section (Item 12) of this Brochure. We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm directly debits advisory fees from client accounts. As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be any error in their statement.

We encourage our clients to review their statements carefully and raise any questions with us about the custody, safety or security of their assets.

### Item 16: Investment Discretion

Before we can buy or sell securities on your behalf in a discretionary manner, you must authorize this limited discretion by signing our discretionary management agreement, along with the appropriate trading authorization forms.

You may grant our firm discretion over the selection and amount of securities to be purchased or sold for your account(s) without obtaining your consent or approval prior to each transaction. You may specify investment objectives, guidelines, and/or impose certain conditions or investment parameters for your account(s). For example, you may specify that the investment in any particular stock or industry should

not exceed specified percentages of the value of the portfolio and/or restrictions or prohibitions of transactions in the securities of a specific industry or security. Please refer to the *Advisory Business* section in this brochure for more information on our discretionary management services.

If you enter into non-discretionary account arrangement with our firm, we must obtain your approval prior to the execution of any transactions for your account. You have an unrestricted right to decline any recommendations provided by our firm in a non-discretionary account.

Accounts of clients who use the services of a third-party manager or advisor are managed on a discretionary basis. To a varying degree, some of these managers allow clients to place restrictions on their discretionary authority. A full description of the restrictions and limitations a client can place on a manager is fully disclosed in the manager's brochure that is given to the client. Third-party managers require clients to sign a limited power of attorney which gives them investment discretion.

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

For accounts managed by CLW, annual reports and proxies are sent directly to the client by the qualified custodian where the account is maintained. CLW neither votes client securities nor gives advice on the voting of proxies.

Third-party managers may or may not vote client securities. Please consult the applicable third-party manager's disclosure documents for information on their individual proxy voting policy.

## **Item 18: Financial Information**

CLW does not have any financial condition or impairment that would prevent us from meeting our contractual commitments to you. We do not take physical custody of client funds or securities, or serve as trustee or signatory for client accounts, and we do not require the prepayment of more than \$1,200 in fees six months or more in advance. Therefore, we are not required to include a financial statement with this brochure.

## **Item 19: CLW Privacy Policy**

### **Our Commitment to Protecting Your Privacy**

CL Wealth Management, LLC ("CLW") realizes that you may be concerned about the confidentiality and security of the financial and personal information you have entrusted or will entrust with CLW in the normal course of providing advisory services. CLW is committed to ensuring the confidentiality and security of your financial and personal information.

In furtherance thereof and to fully comply with Regulation S-P of the United States Securities and Exchange Commission regarding the use and disclosure of non-public personal information, CLW makes the following notification and pledge:

1. CLW collects non-public personal information about you from the following sources:
  - a. Information CLW receives from you on applications or other account forms;
  - b. Information about your transactions with CLW, its affiliates or others; and
  - c. Information CLW receives from a consumer reporting agency.
2. CLW does not sell client account/non-public personal information to anyone. CLW may disclose the

following kinds of nonpublic personal information about you:

- a. Information CLW receives from you on applications or other forms such as your name, address, social security number, e-mail address, date of birth, gender, marital status, income, net worth, assets and driver's license number;
- b. Information about your transactions with Cabot Lodge, its affiliates, or others, such as your account balance, payment history, parties to transaction(s), credit usage, investment objectives and/or trade experience; and
- c. Information Cabot Lodge receives from a consumer reporting agency about you, such as your creditworthiness and credit history.

3. CLW may disclose non-public personal information about you to the following types of third parties:

- a. Financial service providers, such as banks, securities broker/dealers, mutual fund companies, etc., as necessary to complete specific transactions; and
- b. State and federal regulatory agencies, as required by law.

4. CLW restricts access to non-public personal information about you to only those employees or representatives of CLW that need to know this information to provide products or services to you. CLW and its affiliates and representatives maintain physical, electronic and procedural safeguards that comply with federal standards to guard your nonpublic personal information.

5. CLW's privacy policy is the same for current and former clients. If you choose to close your account with CLW, as part of the process of transferring your investments, CLW may - unless you CLW otherwise as set forth below - disclose certain non-public personal information about you to the new broker/dealer or custodian you select. Your registered representative may, upon leaving CLW and unless you direct otherwise as set forth below, retain copies of your non-public personal information for the sole purpose of continuing to service your accounts.

6. IF YOU PREFER THAT CLW NOT DISCLOSE NON-PUBLIC PERSONAL INFORMATION ABOUT YOU TO NON-AFFILIATED THIRD PARTIES, you may opt-out of these disclosures, that is, you may direct us not to make those disclosures (other than disclosures otherwise permitted by applicable law). If you wish to opt out of disclosures to unaffiliated third parties, you may call the following toll-free number, 1-888-992-2268, or send an e-mail stating your desire to opt-out to [info@clsecurities.com](mailto:info@clsecurities.com). CLW will not disclose any non-public personal information within thirty (30) days of your receipt of this Opt-Out Notice.

If you have any questions or concerns about CLW's privacy policy or the accuracy of any non-public personal information about you collected by CLW, please contact CLW at 1-888-992-2268.