

**Firm Brochure**  
(Part 2A of Form ADV)

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This brochure provides information about the qualifications and business practices of QCI Asset Management, Inc., a registered investment adviser. If you have any questions about the contents of this brochure, please contact us at: (585) 218-2060, or by email at: [dkhalil@e-qci.com](mailto:dkhalil@e-qci.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority. Registration with the Securities and Exchange Commission does not imply a certain level of skill or training.

Additional information about QCI Asset Management, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

September 28, 2016

# Material Changes

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## Annual Update

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

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## Material Changes since the Last Update

On April 1, 2016 a change in ownership interest occurred when Paul Roland sold his stock in QCI Asset Management, Inc. to another existing shareholder. Please refer to the “Principal Owners” section on page 1 for a listing of current shareholders.

Though Paul Roland is no longer a stockholder, he remains under a long-term contract and will continue to be actively engaged in the day-to-day functioning of the firm.

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## Full Brochure Available

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: (585) 218-2060 or by email at: [dkhalil@e-qci.com](mailto:dkhalil@e-qci.com).

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# Advisory Business

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## Firm Description

QCI Asset Management, Inc., (QCI) was founded in 1974.

QCI Asset Management, Inc. provides personalized confidential investment management to individuals, pension and profit sharing plans, trusts, estates, charitable organizations and businesses. Advice is provided through consultation with the client and may include: determination of financial objectives, identification of financial problems, cash flow management, tax planning, insurance review, investment management, education funding, retirement planning, and estate planning.

QCI Asset Management, Inc. also provides investment advisory services under an investment advisory contract to an investment company registered under the Investment Company Act of 1940. Through the advisory contract, QCI Asset Management, Inc. is the investment manager for the QCI Balanced Mutual Fund (QCIBX).

QCI Asset Management, Inc. is strictly a fee-only investment management firm. The firm does not sell annuities, insurance, stocks, bonds, mutual funds, limited partnerships, or other commissioned products. The firm is not affiliated with entities that sell financial products or securities. No commissions in any form are accepted.

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## Principal Owners

Kevin Patrick Gavagan is a 35% stockholder. H. Edward Shill, II is a 50% stockholder. David Faris Khalil is a 15% stockholder.

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## Types of Advisory Services

QCI Asset Management, Inc. provides investment supervisory services, also known as asset management services; and furnishes investment advice through consulting arrangements.

On more than an occasional basis, QCI Asset Management, Inc. furnishes advice to clients on matters not involving securities, such as financial planning matters, identification of financial problems, cash flow management, taxation issues, insurance review, education funding, retirement planning and estate planning.

As of 2/28/16, QCI Asset Management, Inc. managed approximately \$2,850,000,000 in assets for approximately 1,000 clients. Approximately \$1,575,000,000 is managed on a discretionary basis, and \$1,275,000,000 is managed on a non-discretionary basis.

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## **Tailored Relationships**

Investment guidelines are documented for all clients and reflect stated goals and objectives. Clients may impose restrictions on investing in certain securities or types of securities.

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## **Types of Agreements**

The following agreements define the typical client relationships. Agreements may not be assigned without client consent.

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## **Investment Management Agreement**

Most clients of QCI Asset Management, Inc. execute an Investment Management Agreement where the assets of the client are invested and managed on a discretionary basis. QCI Asset Management, Inc. offers a large cap equity investment management service, a balanced (stock/bond blend) investment management service, a fixed income investment management service, a multi-cap global investment management service and a cash management service.

QCI shall receive from the Client an annual Service Fee that is based on a percentage of the investable assets under management.

The amount of the annual Service Fee for account(s) under \$300,000 is one and one half percent (1.5%) of the value of the account(s).

The amount of the annual Service Fee for account(s) over \$300,000 shall be the sum of one percent (1%) of the first \$1,000,000 of the value of the account(s) plus three quarters of one percent (3/4%) of the value of the account(s) above \$1,000,000.

The billing value of the account(s) shall be the fair market value determined in good faith by QCI as of the account starting date and thereafter as of the last day of the second month of the quarter prior to that for which the billing is to be made. In the case of multiple Accounts, the billing value shall be the fair market value of the combined Accounts.

For its Cash Management service, applicant's standard annual service fee is the greater of \$2,000 or the sum of one-quarter of one percent of the value of the Account. The annual service fee is payable monthly in arrears. The value of the Account is based on the Account's average daily balance in the previous month.

Fees are NEGOTIABLE.

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## **Consulting Service Agreement**

QCI Asset Management, Inc. also offers investment consulting services. The services provided under an Investment Consulting Services agreement include the review of client objectives, the development of an Investment Policy Statement responsive to those objectives, the development of an Asset Class framework, the search for, and evaluation of potential investment vehicles, and monitoring of and reporting of investment performance relative

to benchmarks and peer universe on both an absolute and risk-adjusted basis.

QCI Asset Management, Inc. shall receive from the client an annual service fee that is based on a percentage of the investable assets under consulting review. Fees are payable quarterly in advance.

The amount of the annual Consulting Service Fee for account(s) up to \$2,000,000 shall be the sum of one half of one percent (0.5%), plus one quarter of one percent (0.25%) of the value of the account(s) above \$2,000,000 up to \$5,000,000, plus fifteen one hundredths of one percent (0.15%) of the value of the account(s) above \$5,000,000.

Fees are NEGOTIABLE.

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### **Venture Capital Distributions Services Agreement**

QCI Asset Management, Inc. offers a Venture Distribution Services Agreement. Under this agreement, QCI Asset Management, Inc. manages in-kind distributions from venture capital limited partnerships for clients. Distributions are generally recently public common stocks that have successfully conducted their IPO's. The general partners of venture capital limited partnerships may elect to distribute these public security positions to their limited partners, as a means of returning capital back to the limited partners. Distributed common stock positions are often restricted relative to their trading by SEC rule 144 or 145. QCI's role is to determine the time and /or price that would be optimal for selling distributed stock positions, and/or complete those sales (and any associated filings with the SEC) accordingly. QCI Asset Management, Inc. shall receive from the client an annual fixed fee under this service agreement. This fee is negotiable, and is determined based upon the size and scope of each engagement.

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### **Asset Management**

Client assets are invested in investment vehicles that may include: equities (stocks), warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, U.S. Government securities, option contracts and interests in partnerships.

QCI Asset Management, Inc. will also invest in Exchange Traded Fund securities (ETFs) and no-load mutual funds for its clients. In cases where these types of securities are held, clients are paying two advisory fees. Clients pay the standard quarterly fee on the market value of total assets under QCI's management which includes the assets invested in mutual funds and/or ETFs. Clients also pay an advisory fee to the investment advisor of the mutual funds and/or ETFs based upon the amount of the client's investment in these securities.

Client monies that are un-invested cash balances that are swept into money market funds at their custodian/broker-dealer are paying two advisory fees.



Clients pay the standard quarterly fee on the market value of total assets under QCI's management which includes the assets invested in the money market funds. Clients also pay an advisory fee to the investment advisor of the money market fund based upon the amount of the client's investment in the fund.

QCI Asset Management, Inc., on occasion, purchases initial public offerings (IPO's) for its clients. These tend to be risky and volatile equity investments of generally young, and unseasoned companies.

QCI only invests in IPO's for clients that fully understand the risk of such investments. This group of clients has given QCI pre-approval to invest in this type of security. QCI maintains an approved list of clients. Once placed on this list, QCI allocates IPO's received on a rotational basis.

Clients not on the approved list may participate in IPO's on an occasional basis at the client's individual discretion, provided they supply the company with the directive and authority to do so in each instance.

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### **Termination of Agreement**

Although these service agreements are ongoing agreements and adjustments are sometimes required, the client or the investment manager may terminate an agreement at any time upon 30 days written notice to the other party. At termination, fees will be rebated on a pro rata basis for the portion of the quarter not completed. The portfolio value at the completion of the prior full billing quarter is used as the basis for the fee computation, adjusted for the number of days during the billing quarter prior to termination.

## **Fees and Compensation**

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### **Description**

QCI Asset Management, Inc. bases its fees on a percentage of assets under management.

Some *Service Agreements* may be priced on a fixed fee basis.

QCI Asset Management, Inc., in its sole discretion, may waive its minimum fee and/or charge a lesser investment advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with clients, etc.).

Fees are *NEGOTIABLE*.

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## Fee Billing

Investment management fees are billed quarterly, in *ADVANCE*, meaning that we invoice the client *BEFORE* the three-month billing period has *BEGUN*. Payment in full is expected upon invoice presentation. Fees are usually deducted from a designated client account to facilitate billing. The client must consent in advance to direct debiting of their investment account.

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## Expense Ratios

Mutual funds generally charge a management fee for their services as investment managers, and this fee is included as part of the fund's expense ratio. For example, an expense ratio of 0.50 means that the mutual fund company charges 0.5% for their services. These fees are in addition to the fees paid by the client to QCI Asset Management, Inc.

Performance figures quoted by mutual fund companies in various publications are after their fees have been deducted.

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## Other Expenses

**Custodian Fee:** Custodians usually charge a custodian fee for custodial services provided. These fees are normally based on a percentage of assets held under custody. Custodial fees are normally billed quarterly, in arrears. Fees are usually deducted directly from the client account and go directly to the custodian in payment for their service.

**Transaction Costs:** When performing investment management services, QCI Asset Management, Inc. normally purchases and sells investment securities, primarily stocks and bonds through third party brokerage firms. These brokerage firms charge the clients commissions or other charges for these transactions.

QCI Asset Management, Inc. does not receive any compensation, in any form, from these custodians or brokerage firms.

## Performance-Based Fees

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### Sharing of Capital Gains

Fees are not based on a share of the capital gains or capital appreciation of managed securities.

QCI Asset Management, Inc. does not use a performance-based fee structure.

## Types of Clients

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### Description

QCI Asset Management, Inc. generally provides investment advice to individuals, banks, pension and profit sharing plans, trusts, estates, or charitable organizations, corporations or business entities, and higher education clients.

QCI Asset Management, Inc. also provides investment advisory services to an investment company registered under the Investment Company Act of 1940.

Client relationships vary in scope and length of service.

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### Account Minimums

The minimum account size is \$300,000 of assets under management, which equates to an annual fee of approximately \$3,000 to \$4,500.

When an account falls below \$300,000 in value, the minimum annual fee is charged.

Clients with assets below the minimum account size may pay a higher percentage rate on their annual fees than the fees paid by clients with greater assets under management.

QCI Asset Management, Inc. has the discretion to waive the account minimum. QCI Asset Management, Inc., in its sole discretion, may waive its minimum fee and/or charge a lesser investment advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with clients, etc.).

## Methods of Analysis, Investment Strategies and Risk of Loss

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### Methods of Analysis

Security analysis methods may include fundamental analysis, technical analysis, and cyclical analysis.

The main sources of information include financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

Other sources of information that QCI Asset Management, Inc. may use include Morningstar Principia and Stylus mutual fund information, Factset,

research services provided by Thompson Reuters such as Baseline and First Call research, and the World Wide Web.

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## **Investment Strategies**

QCI Asset Management, Inc.'s investment strategy regarding equities (stocks) involves building portfolios on a foundation of solid core holdings, complemented by stocks that offer timely opportunities.

We choose core holdings by reviewing long-term trends, cyclical forces, and relative valuations, to build a diversified portfolio with specific sector and industry emphases.

On top of the core, we add stocks of companies that present compelling risk/return propositions. We identify them using primarily two broad criteria:

- The existence of a “Catalyst for Change” in the company – internal, such as new management team, or external, like a change in government policy.
- “Growth on Sale” strong companies whose stocks are temporarily underpriced due to temporary operating difficulties or a negative earnings surprise.

QCI Asset Management, Inc.'s investment strategy as it relates to fixed income (bonds) involves building fixed income portfolios by first evaluating the interest rate cycle and choosing a duration target. We then look for attractive maturities along the yield curve, and opportunities within particular sectors and industries. Finally, we analyze individual securities and choose those we consider the most compelling.

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time. Each client executes an Investment Policy Guidelines Statement that documents the desired investment strategy.

Other strategies may include long-term purchases, short-term purchases, trading, and option writing (including covered options, uncovered options or spreading strategies).

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## **Risk of Loss**

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

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

- **Market Risk:** The price of a stock, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

## **Disciplinary Information**

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### **Legal and Disciplinary**

QCI Asset Management, Inc. and its employees are not and have not been involved in legal or disciplinary events.

## Other Financial Industry Activities and Affiliations

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### Financial Industry Activities

QCI Asset Management, Inc. is not registered as a securities broker-dealer, or a futures commission merchant, commodity pool operator or commodity trading advisor. Our only business is fee based investment management.

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### Affiliations

QCI Asset Management, Inc. has no affiliation with any organizations that are material to its advisory or its clients.

## Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

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### Code of Ethics

QCI Asset Management, Inc. operates under a Code of Ethics that outlines the belief that all QCI Asset Management, Inc. personnel must conduct business with the highest level of ethical standards and to place the interest of its clients first, and to refrain from having outside interests that conflict with the interests of its clients. A written copy of QCI Asset Management, Inc.'s Code of Ethics is available and will be given to clients upon written request.

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### Participation or Interest in Client Transactions

QCI Asset Management, Inc. and its employees may buy or sell securities that are also held by clients. Employees may not trade their own securities ahead of client trades, as this would be a direct conflict of interest with our clients and a violation of our Code of Ethics and Compliance Manual. All QCI Employees must comply with the provisions of the QCI Asset Management, Inc. *Code of Ethics* and *Compliance Manual*.

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### Personal Trading

The Chief Compliance Officer of QCI Asset Management, Inc. is David F. Khalil, CFA. He reviews all employee trades each quarter. His trades are reviewed by H. Edward Shill II, Principal. The personal trading reviews ensure that the personal trading of employees does not affect the markets, and that clients of the firm receive preferential treatment.

# Brokerage Practices

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## The Brokers We Use

When selecting a broker-dealer to execute transactions for our clients, we consider a wide range of factors including the following:

- Capability to execute, clear, and settle trades (buy and sell securities for client accounts);
- Availability of investment research and tools that assist us in making investment decisions;
- Availability of the other products and services that benefit our organization;
- Quality of service;
- Competitiveness of the price of service (commission rates, other cost and fees) and willingness to negotiate them;
- Reputation and stability of the organization; and
- Prior service to our organization and our clients.

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## Directed Brokerage

A Client is allowed to choose the broker or dealer to be used for his/her account. This choice may, at the option of the client, be made for all transactions or only when QCI Asset Management, Inc. reasonably believes the broker offers price and execution (including the value of research services) at least equal to other brokers. If a client names a broker for all transactions for their account, QCI Asset Management, Inc.'s ability to negotiate commissions may be materially adversely affected and QCI Asset Management, Inc. may be unable to obtain volume or other discounts or obtain best execution. Directed transactions may not be combined or aggregated for execution purposes with orders for the same securities for other accounts managed by QCI Asset Management, Inc. and may be placed at the end of aggregated trading activity for a particular security. This may result in the client paying higher commissions than would be available from other brokers.

Clients subject to ERISA will be required to represent to QCI Asset Management, Inc. that any designation of brokers is for the exclusive purpose of providing benefits to participants and beneficiaries of the plan and will not constitute or cause the plan to be engaged in a "prohibited transaction" as defined by ERISA.

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## **Order Aggregation**

QCI Asset Management, Inc. often aggregates the shares of securities it is buying or selling for clients. Each client portfolio that participates in an aggregated order will generally participate at the average share price for all the transactions in that security for that particular aggregated order on a given business day, with all transaction costs shared pro rata based on each client's participation in the transaction. A random allocation program is used to fill partial executions. The random allocation method is used to avoid allocating tiny blocks of securities, which can increase settlement and transaction costs.

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## **Best Execution**

QCI Asset Management, Inc. reviews the execution of trades each month. QCI Asset Management, Inc. does not receive any portion of the trading fees.

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## **Soft Dollars**

QCI Asset Management, Inc. receives research or other products or services other than execution from some broker-dealers in connection with client securities transactions ("soft dollar benefits").

This practice creates conflicts of interest. When QCI Asset Management, Inc. uses client brokerage commissions (or markups or markdowns) to obtain research or other products or services, we receive a benefit because our firm does not have to purchase or pay for the product or service. Also QCI Asset Management, Inc. may have an incentive to select or recommend a broker-dealer based on our intent in receiving the research or other products or services, rather than on our clients' interest in receiving the most favorable execution. In addition, QCI Asset Management, Inc. may cause clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up). This research or other products or services obtained may be used to service all of QCI Asset Management, Inc.'s accounts, or just a portion of accounts depending upon the applicability of the research or product or service. QCI Asset Management, Inc. does not seek to allocate soft dollar benefits to client accounts proportionally to the soft dollar credits the accounts generate.

The types of research, products and services QCI Asset Management, Inc. acquired with client brokerage commissions (markups or markdowns) within the last fiscal year include Wall Street investment research such as written reports, periodic access to staff research analysts, research data search and analysis tools such as "Baseline", "Fact Set", and "Morningstar Principia" mutual fund information, and market information services such as "Bloomberg". A list of all research or other products or services received through soft dollar transactions is available upon written request.

These research products and services are monitored and reviewed for their usage and value on a regular basis.



## **Review of Accounts**

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### **Periodic Reviews**

Account reviews are performed regularly by at least one of two assigned portfolio managers. These reviews cover asset allocation, cash position, security weightings, and client objectives. Account reviews are performed more frequently when market conditions dictate.

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### **Review Triggers**

Other conditions that may trigger a review are changes in the tax laws, new investment information, and changes in a client's own situation.

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### **Regular Reports**

Clients receive periodic communications on at least an annual basis. Our typical written reporting to clients occurs on a quarterly basis which includes a position statement, an account history, and a performance review. Monthly reporting is available on an exception basis if requested by the client.

## **Client Referrals and Other Compensation**

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### **Incoming Referrals**

QCI Asset Management, Inc. has been fortunate to receive many client referrals over the years. The referrals came from current clients, estate planning attorneys, accountants, employees, personal friends of employees and other similar sources.

QCI Asset Management, Inc. has a program under which it agrees to pay a referral fee to third parties who refer business to the firm. The referral fee is negotiated with each third party and fully disclosed to the client in writing. The client's service fee is not increased by the amount of the referral fee. The referral fee is payable as QCI Asset Management, Inc. receives the client's service fee.

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### **Referrals Out**

QCI Asset Management, Inc. does not accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.

# Custody

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## Custody of Client Accounts

QCI Asset Management, Inc. does not maintain custody of client assets that we manage or on which we advise. Client assets are maintained at a “qualified custodian”, generally a broker-dealer or bank.

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## Account Statements

All of our clients receive account statements directly from their custodian at least quarterly. They will be sent to the email or postal mailing address on record at the custodian. Clients should carefully review their statements promptly when received.

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## Performance Reports

Clients are urged to compare the account statements received directly from their custodians to the periodic account statements and portfolio reports provided by QCI Asset Management, Inc.

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## Net Worth Statements

Clients are sometimes provided net worth statements. Net worth statements contain approximations of bank account balances provided by the client, as well as the value of land and hard-to-price real estate. The net worth statements are used for long-term financial planning where the exact values of assets are not material to the financial planning tasks.

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## The Custodian We Use

QCI Asset Management Inc. generally recommends that our clients use either Charles Schwab (“Schwab”), Pershing Advisors Solutions, LLC (PAS), both FINRA registered broker-dealers, and members of SIPC, or State Street Bank and Trust company (SST), a bank. All are qualified custodians. QCI Asset Management, Inc. is independently owned and operated and not affiliated with any of these custodians. Although QCI Asset Management, Inc. may recommend that clients establish accounts at Schwab, PAS or SST, it is the client’s decision whether to do so and open their account(s) directly with them. Even though accounts are maintained at one of these custodians QCI can still use other brokers to execute trades for these client accounts.

For QCI Asset Management, Inc. client accounts maintained in their custody, SST, Schwab and PAS charge separately for custody services but

may also be compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through them.

SST, Schwab and PAS also make available to QCI Asset Management, Inc. other products and services that benefit QCI Asset Management, Inc. but may not directly benefit its clients' accounts. These products and services assist us in managing and administering our clients' accounts. They may include investment research, and software and other technology that:

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

Many of these products and services may be used to service all or some substantial number of QCI Asset Management, Inc. accounts, including accounts not maintained at SST, Schwab or PAS.

These firms may also offer other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events;
- Technology, compliance legal, and business consulting;
- Publications and conferences on practice management and business succession; and
- Access to employee benefits providers, human capital consultants, and insurance providers.

These firms may also provide us with other benefits such as occasional business entertainment of our personnel.

## **Investment Discretion**

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### **Discretionary Authority for Trading**

QCI Asset Management, Inc. accepts discretionary authority to manage securities accounts on behalf of clients. QCI Asset Management, Inc. has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. However, QCI Asset Management, Inc. consults with the client prior to each trade to obtain concurrence if a blanket trading authorization has not been given.

The client approves the custodian to be used and the fees paid to the custodian. QCI Asset Management, Inc. does not receive any portion of the

fees or commissions paid by the client to the custodian, or to the broker-dealer for trades.

Discretionary trading authority facilitates placing trades in client accounts on their behalf so that we may promptly implement the investment guidelines that have been approved.

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### **Limited Power of Attorney**

A limited power of attorney is a trading authorization for this purpose. Clients sign a limited power of attorney so that we may execute the trades on a discretionary basis.

## **Voting Client Securities**

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### **Proxy Votes**

Unless the client designates otherwise, QCI Asset Management, Inc. votes proxies for securities over which it maintains discretionary authority consistent with its proxy voting policy. A copy of QCI Asset Management, Inc.'s proxy voting policy is available upon request. Clients may obtain information from QCI Asset Management, Inc. about how their proxies were voted upon written request.

## **Financial Information**

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### **Financial Condition**

QCI Asset Management, Inc. does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients.

A balance sheet is not required to be provided because QCI Asset Management, Inc. does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than \$1,200 per client, and six months or more in advance.

## **Business Continuity Plan**

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### **General**

QCI Asset Management, Inc. has a Business Continuity Plan in place that provides steps to mitigate and recover from the loss of office space, communications, services or key people.

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## **Disasters**

The Business Continuity Plan covers natural disasters such as snow storms, tornados, and flooding. The Plan covers man-made disasters such as loss of electrical power, loss of water pressure, and fire. Electronic files are backed up daily and archived offsite.

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## **Alternate Offices**

Alternate offices are identified to support ongoing operations in the event the main office is unavailable. It is our intention to contact all clients as soon as possible after a disaster that dictates moving our office to an alternate location.

# **Information Security Program**

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## **Information Security**

QCI Asset Management, Inc. maintains an information security program to reduce the risk that client personal and confidential information may be breached.

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## **Privacy Notice**

QCI Asset Management, Inc. is committed to maintaining the confidentiality, integrity and security of the personal information that is entrusted to us.

The categories of nonpublic information that we collect from clients may include information about personal finances, information about health to the extent that it is needed for the financial planning process, information about transactions between clients and third parties, and information from consumer reporting agencies, e.g., credit reports. We use this information to help clients meet their personal financial goals.

With clients permission, we disclose limited information to attorneys, accountants, and mortgage lenders with whom they have established a relationship. Clients may opt out from our sharing information with these nonaffiliated third parties by notifying us at any time by telephone, mail, fax, email, or in person. With client permission, we share a limited amount of information about them with broker-dealer firms in order to execute securities transactions on their behalf.

We maintain a secure office to ensure that client information is not placed at unreasonable risk. We employ a firewall barrier, secure data encryption techniques and authentication procedures in our computer environment.

We do not provide client information to mailing list vendors or solicitors. We require strict confidentiality in our agreements with unaffiliated third parties that require access to client personal information. Federal and state securities regulators may review our Company records and client personal records as permitted by law.

Personally identifiable information about clients will be maintained while they are clients, and for the required period thereafter that records are required to be maintained by federal and state securities laws. After that time, information may be destroyed.

We will notify clients in advance if our privacy policy is expected to change. We are required by law to deliver this *Privacy Notice* to clients annually, in writing.

## Brochure Supplement (Part 2B of Form ADV)

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### Education and Business Standards

QCI Asset Management, Inc. requires that professionals in its employ have a bachelor's degree and further coursework demonstrating knowledge of investment management and financial planning. Examples of acceptable coursework include: an MBA, a CFP®, a CFA, or CPA. Additionally, portfolio managers must have work experience that demonstrates their aptitude for financial planning and investment management.

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### Professional Certifications

Employees have earned certifications and credentials that are required to be explained in further detail.

Chartered Financial Analyst (CFA): Chartered Financial Analysts are licensed by the CFA Institute to use the CFA designation. CFA certification requirements:

- . Hold a bachelor's degree from an accredited institution or have equivalent education or work experience.
- . Successful completion of all three exam levels of the CFA Program.
- . Have 48 months of acceptable professional work experience in the investment decision-making process.
- . Fulfill society requirements, which vary by society. Unless you are upgrading from affiliate membership, all societies require two sponsor statements as part of each application; these are submitted online by your sponsors.
- . Agree to adhere to and sign the Member's Agreement, a Professional Conduct Statement, and any additional documentation requested by CFA Institute.

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**Kevin P. Gavagan, CFA**

- Date of birth: 1/31/1953

**Educational Background:**

- CFA – CFA Institute (1982)
- MBA – E. Philip Saunders, College of Business, Rochester Institute of Technology (1979)
- BA – SUNY Geneseo (1975)

**Business Experience:**

- QCI Asset Management, Inc., President/Portfolio Manager (1988-Present)
- University Of Rochester, Investment Officer (1984-1988)
- Cornell University, Investment Officer (1983-1984)
- Lincoln First Bank, Research Analyst (1978-1983)

Disciplinary Information: (Not applicable)

Other Business Activities: None

Additional Compensation: None

**Supervision:**

Kevin P. Gavagan is supervised by David F. Khalil, Chief Operating Officer. He reviews Kevin's work through frequent office interactions as well as remote interactions. He also reviews Kevin's activities through our client relationship management system.

**SUPERVISOR'S contact information:**

Phone: (585) 218-2060

[Email: dkhalil@e-qci.com](mailto:dkhalil@e-qci.com)

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**H. Edward Shill II, CFA**

- Date of birth: 10/31/1962

**Educational Background:**

- CFA – CFA Institute (1989)
- MS – The University Center at Binghamton (1986)
- BA – SUNY Brockport (1985)

**Business Experience:**

- QCI Asset Management, Inc., Principal/Chief Investment Officer/Portfolio Manager (1992-Present)
- Fleet/NorthStar Investment Advisors, Analyst and Portfolio Manager (1986-1992)



Disciplinary Information: (Not applicable)

Other Business Activities: None

Additional Compensation: None

Supervision:

H. Edward Shill, II is supervised by David F. Khalil, Chief Operating Officer. He reviews Ed's work through frequent office interactions as well as remote interactions. He also reviews Ed's activities through our client relationship management system.

SUPERVISOR'S contact information:

Phone: (585) 218-2060

[Email: dkhalil@e-qci.com](mailto:dkhalil@e-qci.com)

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**Paul F. Roland**

- Date of birth: 5/31/1959

Educational Background:

- MBA – The William E. Simon Graduate School of Business at the University of Rochester (1987)
- BA – Cornell University (1981)

Business Experience:

- QCI Asset Management, Inc., Consultant/Senior Fixed Income Advisor/Portfolio Manager (2016-Present)
- QCI Asset Management, Inc., Principal/Fixed Income Strategist/Portfolio Manager (1987-2016)
- Chase Lincoln Bank, Research Analyst (1985-1987)
- Central Trust Company, Portfolio Manager (1981-1985)

Disciplinary Information: (Not applicable)

Other Business Activities: None

Additional Compensation: None

Supervision:

Paul F. Roland is supervised by H. Edward Shill II, Chief Investment Officer. He reviews Paul's work through frequent office interactions as well as remote interactions. He also reviews Paul's activities through our client relationship management system.

SUPERVISOR'S contact information:

Phone: (585) 218-2060

[Email: eshill@e-qci.com](mailto:eshill@e-qci.com)

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**David F. Khalil, CFA**

- Date of birth: 11/15/1958

**Educational Background:**

- CFA – CFA Institute (1986)
- MBA – The William E. Simon Graduate School of Business Administration at the University of Rochester (1989)
- BA – Ohio Wesleyan University (1981)

**Business Experience:**

- QCI Asset Management, Inc., Principal/ Chief Operating Officer /Portfolio Manager (1992-Present)
- Chase Lincoln Capital Advisors, Portfolio Manager (1988-1992)
- Howe and Rusling, Head of Equity Research (1982-1988)

Disciplinary Information: (Not applicable)

Other Business Activities: None

Additional Compensation: None

**Supervision:**

David F. Khalil is supervised by Kevin P. Gavagan, President. He reviews Dave's work through frequent office interactions as well as remote interactions. He also reviews Dave's activities through our client relationship management system.

SUPERVISOR'S contact information:

Phone: (585) 218-2060

Email: [kgavagan@e-qci.com](mailto:kgavagan@e-qci.com)

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**Gerald Furciniti, CFA**

- Date of birth: 10/29/1976

**Educational Background:**

- CFA – CFA Institute (2004)
- MBA – E. Philip Saunders College of Business at the Rochester Institute of Technology (2001)
- BS – Rochester Institute of Technology (1999)

**Business Experience:**

- QCI Asset Management, Inc., Portfolio Manager/Sr. Equity Analyst (2001-Present)
- Kodak Health Imaging, Analyst (1999-

2001) Disciplinary Information: (Not applicable)

Other Business Activities: None

Additional Compensation: None

Supervision:

Gerald Furciniti is supervised by H. Edward Shill, II, Chief Investment Officer. He reviews Jerry's work through frequent office interactions as well as remote interactions. He also reviews Jerry's activities through our client relationship management system.

SUPERVISOR'S contact information:

Phone: (585) 218-2060

Email: [eshill@e-qci.com](mailto:eshill@e-qci.com)

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**Timothy D. Calkins, CFA**

- Date of birth: 11/29/1978

Educational Background:

- CFA – CFA Institute (2009)
- BS – Canisius College (2002)

Business Experience:

- QCI Asset Management, Inc., Portfolio Manager/Sr. Fixed Income Strategist (2002-Present)

Disciplinary Information: (Not applicable)

Other Business Activities: None

Additional Compensation: None

Supervision:

Timothy D. Calkins is supervised by H. Edward Shill II, Chief Investment Officer. He reviews Tim's work through frequent office interactions as well as remote interactions. He also reviews Tim's activities through our client relationship management system.

SUPERVISOR'S contact information:

Phone: (585) 218-2060

Email: [eshill@e-qci.com](mailto:eshill@e-qci.com)

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**Christopher Hoffarth**

- Date of birth: 9/22/1970

Educational Background:

- BS – State University of New York at Brockport (1994)

**Business Experience:**

- QCI Asset Management, Inc., Retirement Plan Services Coordinator (2013-Present)
- Burke Group, Sr. Account Manager (2011-2012)
- First Niagara Benefits Consulting (2007-2011)
- Paychex Inc., Conversion Specialist (2006-2007)
- Fidelity Investments, Implementation Project Manager (2005-2006)

Disciplinary Information: (Not applicable)

Other Business Activities: None

Additional Compensation: None

**Supervision:**

Chris Hoffarth is supervised by David F. Khalil, Principal/Chief Operating Officer. He reviews Chris's work through frequent office interactions as well as remote interactions. He also reviews Chris's activities through our client relationship management system.

SUPERVISOR'S contact information:

Phone: (585) 218-2060

Email: [dkhalil@e-qci.com](mailto:dkhalil@e-qci.com)

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**Adam Covey**

- Date of birth: 04/30/1980

**Educational Background:**

- MBA –Boston University (2005)
- BS – Boston University (2002)

**Business Experience:**

- QCI Asset Management, Inc., Sr. Equity Analyst (2015-Present)
- Manning & Napier, Analyst (2007-2015)
- Sovereign Bank, Managed Asset Analyst (2005-2007)

Disciplinary Information: (Not applicable)

Other Business Activities: None

Additional Compensation: None

**Supervision:**

Adam Covey is supervised by H. Edward Shill, II, Chief Investment Officer. He reviews Adam's work through frequent office interactions as well as remote interactions.

SUPERVISOR'S contact information:

Phone: (585) 218-2060

[Email: eshill@e-qci.com](mailto:eshill@e-qci.com)

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**Tyler Willcox**

- Date of birth: 04/23/1991

Educational Background:

- BA –St. John Fisher College (2013)

Business Experience:

- QCI Asset Management, Inc., Jr. Equity Analyst (2015-Present)
- Empire Valuation Consultants, Research Associate (2013-2015)

Disciplinary Information: (Not applicable)

Other Business Activities: None

Additional Compensation: None

Supervision:

Tyler Willcox is supervised by H. Edward Shill, II, Chief Investment Officer. He reviews Tyler's work through frequent office interactions as well as remote interactions.

SUPERVISOR'S contact information:

Phone: (585) 218-2060

[Email: eshill@e-qci.com](mailto:eshill@e-qci.com)