

Item 1 – Cover Page

Berkshire Money Management, Inc.

161 Main Street, Dalton, MA 01226

1-888-232-6072

[www.berkshiremm.com](http://www.berkshiremm.com)

May 15, 2018

This Brochure provides information about the qualifications and business practices of Berkshire Money Management, Inc. (BMM). If you have any questions about the contents of this Brochure, please contact us at 1-888-232-6072 or [info@berkshiremm.com](mailto:info@berkshiremm.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.

Berkshire Money Management, Inc. is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

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

## Item 2 – Material Changes

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated February 5, 2018 is our most recent annual update and is prepared according to the SEC’s new requirements and rules.

In this Item, Registered Investment Advisers are required to discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes.

### Summary of changes that have occurred since the prior annual update:

1. Our office and mailing address have changed to 161 Main Street, Dalton MA 01226
2. We now offer WealthE portfolios via Schwab Institutional Intelligent Portfolios. Please refer to the full Brochure for additional information.
3. Under new SEC guidance, we are now deemed to have custody of certain client funds due to standing letters of authorization issued by clients. Please refer to Item 15 of this Brochure for additional information.
4. We now offer consulting services. Please refer to the full Brochure for additional information.

Pursuant to new SEC Rules, we will ensure that you receive a summary of any material changes to this and/or subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary, and if appropriate will provide a new Brochure to you based on changes or new information, at any time, without charge.

A copy of our current Brochure may be requested by contacting Allen P. Harris, CEO, CCO and Chief Investment Officer, at 1-888-232-6072 or [info@berkshiremm.com](mailto:info@berkshiremm.com) . Our Brochure is also available on our web site [www.berkshiremm.com](http://www.berkshiremm.com) free of charge.

Additional information about Berkshire Money Management, Inc. is available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any

persons affiliated with BMM who are registered, or are required to be registered, as investment adviser representatives of BMM.

### Item 3 – Table of Contents

Item 1 – Cover Page .....	i
Item 2 – Material Changes.....	ii
Item 3 – Table of Contents.....	iv
Item 4 – Advisory Business .....	1
Item 5 – Fees and Compensation .....	4
Item 6 – Performance-Based Fees and Side-By-Side Management .....	7
Item 7 – Types of Clients.....	8
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss.....	8
Item 9 – Disciplinary Information .....	10
Item 10 – Other Financial Industry Activities and Affiliations .....	11
Item 11 – Code of Ethics .....	11
Item 12 – Brokerage Practices .....	12
Item 12 A – Trade Order Allocation/Aggregation Policies.....	16
Item 13 – Review of Accounts.....	17
Item 14 – Client Referrals and Other Compensation.....	18
Item 15 – Custody .....	19
Item 16 – Investment Discretion .....	20
Item 17 – Voting <i>Client</i> Securities.....	20
Item 18 – Financial Information.....	20

## **Item 4 – Advisory Business**

Berkshire Money Management, Inc., a Massachusetts corporation, is an SEC registered Investment Adviser, initially registered in January, 2003. Berkshire Money Management, Inc. (“BMM”) offers a combination of advisory services, broadly described as Portfolio Management Services and Financial Planning Services, as more fully described below.

Allen P. Harris is the principal and sole owner of Berkshire Money Management, Inc. a Massachusetts corporation formed in April, 2001.

BMM offers a combination of advisory services including the following:

### Portfolio Management Services

BMM provides continuous advice to you regarding the investment of your funds based on your individual needs.

Through personal discussions with you, we establish your goals and objectives based on your unique circumstances. We help you develop your personal investment strategy and manage your portfolio on the basis of the agreed upon strategy.

When we select the investments for your portfolio we are guided by your specifications which may include maximum capital appreciation, growth, income, growth and income or some other variation.

You may impose reasonable restrictions on investing in certain securities or types of securities. BMM requires that such restrictions be included in a written authority statement (generally as part of your Investment Management Contract with us and as amended from time to time in writing). You may change/amend these restrictions as desired with such amendments submitted in writing.

### WealthE Portfolios

BMM provides portfolio management services through Institutional Intelligent Portfolios™, an automated, online investment management platform for use by independent investment advisors and sponsored by Schwab Wealth Investment Advisory, Inc. (the “Program” and “SWIA,” respectively). BMM has branded the Program as WealthE Portfolios. Through the Program, BMM offers clients a range of investment strategies we and SWIA have constructed and manage, each consisting of a portfolio of exchange traded funds (“ETFs”) and a cash allocation. The client may instruct BMM to exclude up to three ETFs from their portfolio. The client’s portfolio is held in a brokerage account opened by the client at SWIA’s affiliate, Charles Schwab & Co., Inc. (“CS&Co”). BMM is independent of and not

owned by, affiliated with, or sponsored or supervised by SWIA, CS&Co or their affiliates (together, "Schwab"). The Program is described in the Schwab Wealth Investment Advisory, Inc. Institutional Intelligent Portfolios™ Disclosure Brochure (the "Program Disclosure Brochure"), which is delivered to clients by SWIA during the online enrollment process.

BMM, and not Schwab, are the client's investment advisor and primary point of contact with respect to the Program. BMM is solely responsible, and Schwab is not responsible, for determining the appropriateness of the Program for the client, choosing a suitable investment strategy and portfolio for the client's investment needs and goals, and managing that portfolio on an ongoing basis. SWIA's role is limited to delivering the Program Disclosure Brochure to clients and administering the Program so that it operates as described in the Program Disclosure Brochure.

BMM has contracted with SWIA to provide it with the technology platform and related trading and account management services for the Program. This platform enables BMM to make the Program available to clients online and includes a system that automates certain key parts of the BMM investment process (the "System"). The System includes an online questionnaire that helps BMM determine the client's investment objectives and risk tolerance and select an appropriate investment strategy and portfolio. Clients should note that BMM will recommend a portfolio via the System in response to the client's answers to the online questionnaire. The client may then indicate an interest in a portfolio that is one level less or more conservative or aggressive than the recommended portfolio, but BMM then makes the final decision and selects a portfolio based on all the information BMM has about the client. The System also includes an automated investment engine through which BMM manages the client's portfolio on an ongoing basis through automatic rebalancing and tax-loss harvesting (if the client is eligible and elects). BMM does not receive a portion of a wrap fee for our services to clients through the Program. Clients do not pay fees to SWIA in connection with the Program, but BMM does charge clients a fee for its services as described below under Item 5 - Fees and Compensation. BMM's fees are not set or supervised by Schwab. Clients do not pay brokerage commissions or any other fees to CS&Co as part of the Program. Schwab does receive other revenues in connection with the Program, as described in the Program Disclosure Brochure. BMM does not pay SWIA fees for its services in the Program so long as BMM maintains \$100 million in client assets in accounts at CS&Co that are not enrolled in the Program. If BMM does not meet this condition, then BMM must pay SWIA an annual fee of 0.10% (10 basis points) on the value of BMM's clients' assets in the Program. This fee arrangement gives us an incentive to recommend or require that our clients with accounts not enrolled in the Program be maintained with CS&Co.

The Program Disclosure Brochure includes a discussion of various risks associated with the Program, including the risks of investing in ETFs, as well as risks related to the underlying securities in which ETFs invest. In addition, the Program Disclosure Brochure also discusses market/systemic risks, asset allocation/strategy/diversification risks, investment strategy risks, trading/liquidity risks, and large investment risks.

WealthE Portfolios may be appropriate for clients with portfolios not exceeding \$250,000 and who do not desire/require ongoing communications with BMM regarding their investment portfolios and are comfortable with the technological aspects of the Program. Additional consultations and comprehensive financial planning services are available to WealthE Portfolio clients for additional compensation, as outlined in Item 5 - Fees and Compensation.

#### Financial Planning Services

BMM also provides Financial Planning advice. BMM gathers required information through in-depth personal interviews. BMM may ask you about your current financial status, future goals and attitudes towards risk. BMM carefully reviews any appropriate documentation that you provide.

In general, financial planning discussions may address any or all of the following areas that may be of concern to you:

*Personal:* Family records, budgeting, personal liability, estate information, and financial goals.

*Education:* Education IRA's, financial aid, state savings plans, grants and general assistance in preparing to meet your dependents continuing educational needs through development of an education plan.

*Tax & Cash Flow:* Income tax planning and spending analysis. For example, we may illustrate the impact of various investments on your current income tax and future tax liability.

*Death & Disability:* Cash needs at death, income needs of surviving dependents, estate planning and disability income analysis.

*Retirement:* Analysis of current strategies and investment plans to help you achieve your retirement goals. At its sole discretion, BMM may compensate unaffiliated third-parties for various professional services rendered to BMM clients, including, but not limited to, estate planning, social security planning and Medicare planning.

*Investments:* Analysis of investment alternatives and their effect on your portfolio.

If you choose to implement the recommendations discussed in the financial planning consultation, BMM suggests that you work closely with your attorney, accountant, insurance agent and/or stockbroker. Implementation of financial planning recommendations is entirely at your discretion.

BMM's financial planning recommendations are not limited to any specific product or service offered by a broker dealer or insurance company. All recommendations are of a generic nature.

BMM does not charge you any fees for financial planning consultations. However, financial planning consultations are available only to existing or prospective portfolio management clients. Receipt of free financial planning consultations is contingent on becoming a portfolio management client of BMM. WealthE clients are generally not eligible for free financial planning. Item 5-Fees and Compensation - provides additional information regarding how and when management fees are assessed.

BMM may also refer clients to unaffiliated third-party investment advisers for financial planning services and, at its own discretion, pay these third-party managers for services rendered to clients. As such, certain existing or prospective portfolio management clients would not incur costs for financial planning services provided by third-party managers.

#### Consulting Services

BMM may also advise clients with respect to investments held in their accounts without implementing the recommended transactions. Under such an arrangement, the client may, at his/her own discretion choose to implement any of BMM's recommendations. Depending on the nature of the specific consulting agreement, BMM may have ongoing monitoring obligations over a client account or may be consulted by the client on an ad hoc basis.

#### Total Client Assets under Management

As of December 29, 2017, the calculated amount of client assets managed by BMM was approximately \$464,188,556 on a discretionary basis and BMM does not manage assets on a non-discretionary basis.

### **Item 5 – Fees and Compensation**

#### Portfolio Management Services

The specific manner in which fees are charged by BMM is established in a client's written agreement with BMM. BMM will generally bill its fees on a quarterly basis in advance of each calendar quarter. Management fees are prorated for each capital contribution and withdrawal made during the applicable calendar quarter (with the exception of de minimis



contributions and withdrawals). Accounts initiated during a calendar quarter will be charged a prorated fee, and for accounts that are terminated, the fee will be pro-rated to the date of termination. BMM charges at minimum a \$3,750.00 yearly or \$937.50 quarterly fee.

The annual fee for managing your portfolio is charged as a percentage of assets under management, according to the following schedule:

Assets Under Management	Annual Fee (%)
Up to \$250,000	1.75%
\$250,001 to \$500,000	1.50%
\$500,001 to \$750,000	1.12%
\$750,001 to \$1,000,000	1.00%
\$1,000,001 to \$2,500,000	0.80%
Above \$2,500,000	0.60%

BMM will quote an exact percentage to you based on the nature and total dollar value of your account.

BMM's Pay It Forward (PIF) program allows participating clients to donate a portion of their management fees to an approved Berkshire County MA based 501 (c)(3) nonprofit organization of their choice.\* The PIF program is available to new clients who mention the program in their first communication with Berkshire Money Management. The PIF program is used to introduce Berkshire Money Management to prospective clients who are fellow philanthropists. The PIF program is not meant to persuade prospective clients to become clients once an introduction has been made.

A Portfolio Size of	Donation
<b>\$250,000-\$ 499,999</b>	\$1,500
<b>\$ 500,000-\$ 999,999</b>	\$2,500
<b>\$ 1,000,000-\$ 2,499,999</b>	\$5,000
<b>\$ 2,500,000+</b>	\$10,000

- Berkshire Money Management will make half of the donation once the client funds their Berkshire Money Management accounts, and the other half of the donation will be made after the client's assets have been managed by Berkshire Money Management for one year.
  - If your 501(c)(3) is selected by 25 clients participating in the PIF Program, Berkshire Money Management will donate an additional \$25,000 to that organization.\*\*
  - If your 501(c)(3) is selected by 75 clients participating in the PIF Program, Berkshire Money Management will donate an additional \$100,000 to that organization.\*\*

\*These donations are not tax deductible for the client, as Berkshire Money Management will be making the donation upon the client's request.

\*\*Nonprofits are eligible for this incentive after new clients have invested with Berkshire Money Management for a year.

### WealthE Portfolios

The BMM annual fee for WealthE will be charged at a flat 0.60% of assets under management. Currently, neither clients nor the firm pay SWIA any additional fees for participation in the Program. However, SWIA may receive remuneration from some or all ETFs eligible for participation in the program. WealthE clients also have access to comprehensive financial planning at a fixed rate of \$2,000 as well as personal consulting advice on specific questions at an hourly rate of \$135 per hour (first two hours are free of charge).

### Consulting Services

Consulting clients will typically be charged an individually-negotiated fixed fee, paid quarterly in advance. This fee may vary from client to client and will be determined at the time the consulting agreement is executed.

In certain circumstances all fees and account minimums may be negotiable. For example, certain related accounts may be aggregated for the purpose of achieving the minimum account size or lower annual fee.

Certain existing clients may be paying fees that are lower than those indicated on the above schedule. Also, certain family members and personal acquaintances of BMM's affiliated persons may receive advisory services at a discounted rate which is not generally available to you.

Fees are charged quarterly in advance based on the asset size of your account on the last day of the prior calendar quarter. Services rendered prior to that date, but not yet billed, are charged according to the above schedule based on your account average balance for that period. BMM will not charge you more than \$1200 - six months or more in advance.

Fees are directly debited from your custodial account with your written consent generally acknowledged in your Asset Management Agreement. Alternatively, you may elect to be invoiced and pay by check.

Your agreement may be canceled at any time, by either you or BMM, for any reason. Upon termination of your account, any prepaid, unearned fees will be promptly refunded, and any earned unpaid fees will be due and payable. You have the right to terminate your agreement without penalty any time after entering into it.

BMM's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which will be incurred by you. You may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, or mutual fund distribution fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to BMM's fee. BMM and its supervised persons do not receive any portion of these commissions, fees, and costs, and do not receive compensation from the sale of any securities or investment products.

You could invest in a mutual fund directly, without the services of BMM. In that case, you would not receive the services provided by BMM which are designed, among other things, to assist you in determining which mutual fund or funds are most appropriate for your individual financial situation and investment strategy.

BMM has set its rates to take into consideration these additional charges - if any. However, BMM recommends that you review the fees charged by the funds, custodians and broker dealers and the fees charged by BMM to fully understand the total amount of fees to be paid by you and to evaluate the advisory services being provided.

Please refer to Item 12, "Brokerage Practices" which further describes the factors that BMM considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

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

In this item, registered investment advisers are required to disclose all material facts regarding performance based fees and the simultaneous management of accounts that may have alternative fee arrangements.

BMM does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client), or any other type of fees other than management fees described in Item 5, and does not engage in side by side management of client accounts with differing fee arrangements.

Furthermore, BMM has procedures designed and implemented to ensure that all clients are treated fairly and equally, and to help prevent conflicts from influencing the allocation of investment opportunities among clients.

### **Item 7 – Types of Clients**

BMM offers its advisory services to individuals, high net worth individuals, pension and profit sharing plans, trusts, estates, charitable organizations and corporations or other business entities.

Participation in Portfolio Management Services and/or Financial Planning Consultations requires a minimum portfolio size of \$250,000 or a minimum annual fee of \$3,750. SWIA requires a minimum investment of \$5,000 to open a WealthE portfolio and makes these portfolios available only to select account types.

Occasionally, the minimum portfolio size and/or the minimum annual fee is waived for clients that have the capacity to generate the minimum size or fee within a year. BMM may also waive the minimum size or fee for certain clients at its sole discretion. Additionally, certain related accounts may be aggregated for the purpose of achieving the minimum account size. Item 5 - Fees & Compensation further describes factors that BMM considers when determining minimum account size.

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

On a daily basis, BMM reviews the global economic landscape to ascertain when and if indicators support the purchase or sale of specific types of investments for client portfolios. Some of the indicators that we may use in our decision making process include: investor sentiment, money supply, consumer confidence, industrial production, consumption and

distribution, inventories and orders, inflation, employment, construction, yield curve/ interest rates, monetary policy, and political factors among others.

Once BMM has determined that the global economic landscape supports the purchase of investments for client portfolios it begins selecting specific assets. In so doing, BMM invests primarily in no-load or load-waived open end mutual funds or exchange traded funds (ETFs). Your portfolio may include individual equities, preferred equities, individual corporate and municipal bonds, CD's and other investment products, if appropriate. You will retain ownership of all securities.

BMM allocates assets among various investments taking into account the overall investment strategy selected by you. The selection of specific assets for your portfolio may be based on any or all of the following:

<b>Mutual Funds Equity, Fixed Income, or Balanced</b>	<b>Exchange Traded Funds</b>	<b>Individual Corporate &amp; Municipal Bonds</b>
<ul style="list-style-type: none"><li>- Performance history</li><li>- Industry Sectors that the fund invests in</li><li>- Track record of the manager</li><li>- Stated investment objectives</li><li>- Management style and philosophy</li><li>- Fee structure</li></ul>	<ul style="list-style-type: none"><li>- Liquidity</li><li>- Industry Sector and asset classes that the ETF invests in</li><li>- Fee structure and costs</li></ul>	<ul style="list-style-type: none"><li>- Bond rating</li><li>- Yield to maturity</li><li>- Coupon rate</li><li>- Maturity schedule</li><li>- Whether or not the bond is callable</li></ul>

Portfolio weightings between assets and market sectors will be determined by your individual needs and investment strategy.

Equity investing is subject to price fluctuation and market risk. Growth oriented investments may be more sensitive to market movements because their prices tend to reflect future investor expectations rather than just current profits. Small and mid-cap stocks involve greater risks and volatility than large-cap stocks.

Fixed income investing involves credit risk, interest rate risk (when interest rates rise, bond/fund prices generally fall), and inflation or reinvestment risks. Below-investment-grade ("junk") bonds are more at risk of default than other bond investments and are subject to liquidity risk.

Investments in foreign securities entail special risks (such as currency fluctuations and political factors) and may have higher expenses and volatility. Investments in emerging and developing markets may be especially volatile.

Large sector holdings may expose you to greater volatility and special risks associated with that sector. It is not the practice of BMM to employ investment strategies that require frequent trading.

If you choose to follow high-risk strategies, you may incur significant losses-as much as all of the assets you have invested in this manner. BMM strongly recommends that you diversify your investments and not commit all of your assets to high risk investment strategies.

There is an inverse relationship between interest rate movements and fixed income prices. Generally, when interest rates rise, fixed income prices fall and when interest rates fall, fixed income prices rise. Generally the longer a bond's maturity, the more sensitive it is to this risk. Bonds may also be subject to call risk, which is the risk that the issuer will redeem the debt at its option, fully or partially, before the scheduled maturity date. The market value of debt instruments may fluctuate, and proceeds from sales prior to maturity may be more or less than the amount originally invested or the maturity value due to changes in market conditions or changes in the credit quality of the issuer. Bonds are subject to the credit risk of the issuer. This is the risk that the issuer might be unable to make interest and/or principal payments on a timely basis. Bonds are also subject to reinvestment risk, which is the risk that principal and/or interest payments from a given investment may be reinvested at a lower interest rate.

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

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Berkshire Money Management, Inc. or the integrity of BMM's management.

For Massachusetts Residents: Massachusetts law requires disclosure that information on disciplinary history and the registration of BMM and its associated persons may be obtained by contacting the Public Reference Branch of the Securities and Exchange Commission at (202) 942-8090. Disciplinary history may also be obtained from the Massachusetts Securities Division at (617) 727-3548, and if asked, BMM and its associated persons must also disclose the history.

BMM has no information applicable to this Item. ***No disciplinary history exists for BMM and/or its associated persons.***

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

Neither BMM nor any of its management persons is involved in any other financial industry activities.

## **Item 11 – Code of Ethics**

BMM has adopted a Code of Ethics for all supervised persons describing its high standard of business conduct, fiduciary duty to its clients and compliance with applicable securities laws.

BMM's 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 BMM must acknowledge the terms of the Code of Ethics annually, or as amended.

BMM's employees and persons associated with BMM are required to follow BMM's Code of Ethics.

It is BMM's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. BMM will also not cross trades between client accounts.

Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account.

An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer. BMM is not dually registered as a broker-dealer nor do we maintain any affiliated broker-dealer relationships.

Subject to satisfying this policy and applicable laws, officers, directors and employees of BMM and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for BMM's clients.

The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of BMM will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of BMM's clients. In addition, the Code requires pre-clearance of IPOs and private placement security transactions, and restricts trading in close proximity to client trading activity.

Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, (we refer to these employee accounts as "affiliated accounts") there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics to reasonably prevent conflicts of interest between BMM and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with BMM's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price.

BMM will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order and provided to regulators at their request.

BMM's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Allen P. Harris.

## **Item 12 – Brokerage Practices**

### **The Custodian and Brokers We Use**



BMM does not have any formal or informal soft-dollar arrangements and do not receive any soft-dollar benefits.

At present, the firm does not have the discretionary authority to determine the broker dealer to be used or the commission rates to be paid; clients must direct the firm as to the broker dealer to be used. As a result, the firm requests that clients direct us to place trades through the designated broker that the firm has evaluated and one in which the firm believes will provide clients with a blend of execution services, commission costs and professionalism. For clients in need of brokerage and custodial services, we will typically recommend Charles Schwab & Company, Inc. ("Schwab"), an unaffiliated FINRA-registered broker dealer. In directing the use of a particular broker or dealer, it should be understood that we will not have authority to negotiate commissions among various brokers or obtain volume discounts, and best execution may not be achieved. In addition, a disparity in commission charges may exist between the commissions charged to the client and those charged to other clients. Not all advisers require their clients to use a particular broker-dealer or other custodian selected by the advisor. Even though your account is maintained at Schwab, we can still use other brokers to execute trades for your account as described below (see "Your Brokerage and Custody Costs").

We reserve the right to decline acceptance of any client account for which the client directs the use of a broker if we believe that this choice would hinder its fiduciary duty to the client and/or its ability to service the account.

### **How we select Brokers/Custodians**

BMM seeks to use a custodian/broker who will hold your assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others, these:

- Combination of transaction execution services along with asset custody services (generally without a separate fee for custody)
- Capability to execute, clear and settle trades (buy and sell securities for your account)
- Capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, etc.)

- Breadth of investment products made available (stocks, bonds, mutual funds, exchange traded funds (ETF's), etc.)
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them
- Reputation, financial strength and stability of the provider
- Their prior service to us and our other clients
- Availability of other products and services that benefit us, as discussed below (see "Products and Services Available to Us from Schwab")

### **Your Brokerage and Custody Costs**

For our clients' accounts that Schwab maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. In addition to commissions, Schwab charges you a flat dollar as a "prime broker" or "trade away" fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we have Schwab execute most trades for your account.

### **Products and Services Available to Us from Schwab**

Schwab Advisor Services (formerly called Schwab Institutional©) is Schwab's business serving independent investment advisory firms like us. They provide us and our clients with access to its institutional brokerage-trading, custody, reporting, and related services-many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts; while others help us manage and grow our business. Schwab's support services generally are available on an unsolicited basis (we don't have to request them) and at no charge to us as long as our clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab. If our clients collectively have less than

\$10 million in assets at Schwab, Schwab may charge us quarterly service fees of \$1,200. Following is a more detailed description of Schwab's support services:

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

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

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

**Services that Generally Benefit Only Us:** Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

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

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits, such as occasional business entertainment of our personnel.

On an ongoing basis, BMM uses the technology applications provided by Schwab to access client account information, facilitate payment of our fees, and execute and allocate trade orders for multiple client accounts.

We have routinely attended educational conferences and events offered by Schwab on practice management, compliance, technology, research, and other business related activities. We have also consulted with Schwab and/or third parties recommended by Schwab regarding technology, compliance and other business needs.

### **Our Interest in Schwab's Services**

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services so long as our clients collectively keep a total of at least \$10 million of their assets in accounts at Schwab. Beyond that, these services are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody. The \$10 million minimum may give us an incentive to require that you maintain your account with Schwab, based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's services (see "How We Select Brokers/Custodians") and not Schwab's services that benefit only us.

### **WealthE Portfolios**

All transactions in accounts invested in WealthE Portfolios must be made through Schwab and consequently, in electing to participate in this Program, a client directs BMM to select Schwab as the exclusive executing broker dealer.

## **Item 12 A – Trade Order Allocation/Aggregation Policies**

BMM's policy is to aggregate client transactions where possible and when advantageous to clients (generally referred to as a "block trade.") In these instances clients participating in

aggregated transactions will receive an average share price and transaction costs will be shared equally and on a pro-rata basis. As a matter of policy, an adviser's allocation procedures must be fair and equitable to all clients with no particular group or client(s) being favored or disfavored over any other clients. BMM's policy prohibits any allocation of trades in a manner that BMM's affiliated accounts, or any particular client(s) or group of clients receive more favorable treatment than other client accounts. Generally, BMM allocates partially-filled trade orders on a pro rata basis; however other allocation practices may include exception allocations, random allocations, and rotational allocations, depending on the asset involved.

### **Item 13 – Review of Accounts**

#### Portfolio Management Services

While the underlying securities within Portfolio Management Services accounts are continuously monitored, these accounts are reviewed at least quarterly by Allen Harris, Chief Investment Officer, CCO and CEO. Accounts are reviewed in the context of each client's stated investment strategy and guidelines. More frequent reviews by Allen Harris, Scott Little or William Schmick may be triggered by material changes in variables such as the client's individual circumstances, the market, or the political or economic environment.

#### WealthE Portfolios

The Investor Profile Questionnaire is required so that Institutional Intelligent Portfolios can map a client real time to a portfolio based on his/her advisor's allocations. BMM has the opportunity to select a different portfolio for a client prior to it being invested if BMM advisor feels it is appropriate. Every WealthE portfolio has a target asset allocation—a combination of equity, fixed income, commodities, and cash determined by an investor's stated goals, risk tolerance, and time horizon in the initial questionnaire. Over time, however, contributions/withdrawals, gains, and losses cause a client portfolio to stray from the original target, and it can become unbalanced. The solution is rebalancing, the act of periodically buying or selling assets to restore your portfolio to its target allocations. Institutional Intelligent Portfolios rebalances automatically, thanks to an algorithm that adjusts a client account when an asset class shifts a certain amount above or below its target range. Monitoring and trading of a WealthE portfolio is typically limited to such rebalancing.

#### Financial Planning Services

While reviews may occur at different stages depending on the nature and terms of the specific engagement of BMM, typically no formal reviews will be conducted for financial planning clients, except as may be agreed upon at the inception of the financial planning discussion.

Reports In addition to the monthly statements and confirmations of transactions that Portfolio Management clients receive from their broker dealer and/or custodian, BMM will provide written quarterly reports summarizing account performance, balances and holdings. It is important that, and BMM urges clients, to compare the written reports prepared and provided by BMM to those reports clients receive directly from their broker-dealer and/or custodian. WealthE clients will receive access to Schwab reports via the Program portal with no additional reports provided by BMM. In addition, if you elected to have your advisory fees debited directly from your custodial account, we urge you to compare and review the calculation and fee paid to BMM against valuations included in the custodial statements. Item 15 – Custody - further describes additional types and frequency of reports available.

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

We receive an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors whose clients maintain their accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are described above (see Item 12 - Brokerage Practices.) The availability to us of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

BMM does not receive compensation or any economic benefit from any individuals or entities not a client of BMM that provide investment advice or other advisory services to BMM's clients.

We currently pay referral fees to employees and third parties for referring advisory clients to our firm. If a client is introduced to us by either a related person or an unaffiliated solicitor, we may pay that solicitor a one-time, an ongoing or limited term referral fee based on a percentage of the referred client's advisory fee paid to our firm.

Payment of referral fees for prospective client referrals creates a potential conflict of interest to the extent that such a referral is not unbiased and the solicitor is, at least partially, motivated by financial gain. Therefore, such a referral may be made even if our advisory services are not suitable to a particular client's needs or entering into an advisory

relationship with us is not, overall, in the best interest of the client. As these situations represent a conflict of interest, we have established the following restrictions in order to ensure our fiduciary responsibilities:

1. All such referral fees are paid in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements;
2. Any such referral fee will be paid solely from our investment management fee, and will not result in any additional charge to the client;
3. If the client is introduced to us by an unaffiliated solicitor, the solicitor, at the time of the solicitation, will disclose the nature of his/her/its solicitor relationship and provide each prospective client with a copy of our Form ADV Part 2 Brochure, together with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between our firm and the solicitor, including the compensation to be received by the solicitor from us; and
4. All referred clients will be carefully screened to ensure that our fees, services, and investment strategies are suitable to their investment needs and objectives.

## **Item 15 – Custody**

Under government regulations, we are deemed to have custody of your assets if, for example, you authorize us to instruct Schwab to deduct our advisory fees directly from your account or if you designate a third-party payee via a standing letter of authorization (SLOA). Schwab maintains actual custody of your assets. You will receive account statements directly from Schwab at least quarterly. They will be sent to the email or postal mailing address you provided to Schwab. You should carefully review those statements promptly when you receive them.

In addition to the statements and transaction confirmations you receive from your broker/dealer and/or custodian, BMM will provide you with written quarterly reports summarizing account performance, balances and holdings.

BMM urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you, including the calculation of our advisory fee if directly debited, as discussed in Item 13 above. Our statements may vary slightly from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities or dates of recognition of dividend and/or interest payments.

## **Item 16 – Investment Discretion**

BMM usually receives written discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment strategy, limitations and restrictions of the clients for which it advises. Prior to exercising discretionary authority for client accounts, clients are required to execute a written limited power of attorney authorizing the broker dealer/custodian to execute trades initiated by BMM.

Written reasonable limitations on BMM's discretionary authority may be imposed by you. A WealthE portfolio client's ability to limit BMM discretionary authority is limited due to the automated nature of the Program.

BMM does not have discretionary authority as to the Broker-Dealer to be used. (See Item 12, "Brokerage Practices"). Item 4 – Advisory Business provides additional information on limiting discretionary authority.

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

As a matter of firm policy and practice, BMM does not generally accept the authority to and does not vote proxies on behalf of advisory clients.

Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Generally, clients receive proxies or other solicitations directly from the custodian or a transfer agent, and not from BMM.

BMM, however, may provide advice to you regarding your voting of proxies. Call us at 888-232-6072 or submit your inquiry via e-mail to [info@berkshiremm.com](mailto:info@berkshiremm.com). Clients may obtain a copy of BMM's proxy voting policies and procedures upon request.

In certain circumstances, BMM may be required to vote proxies as part of its fiduciary duties to certain ERISA plans. In such instances, BMM will vote proxies in a manner consistent with the investors stated goals. Those clients may promptly obtain a copy of how proxies for plan shares were voted by contacting Allen Harris directly.

## **Item 18 – Financial Information**



Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about BMM's financial condition.

BMM does not require or solicit prepayment of more than \$1200 in fees per client six months or more in advance.

Furthermore, BMM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.