

**Hennion & Walsh Asset Management, Inc.**  
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**Hennion & Walsh Asset Management, Inc.**  
**Wrap Fee Program Brochure**  
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This brochure provides information about the qualifications and business practices of Hennion & Walsh Asset Management, Inc. (the “Registrant”). If you have any questions about the contents of this brochure, please contact us at (973) 299-8989 or [al.vermitsky@hennionandwalsh.com](mailto:al.vermitsky@hennionandwalsh.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.

Additional information about Hennion & Walsh Asset Management, Inc. also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

References herein to Hennion & Walsh Asset Management, Inc. as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.

## **Item 2           Material Changes**

As of January 2014 Hennion & Walsh Asset Management (HWAM) offers an advisory program, Asset Advisor in addition to previously offered programs.

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## **Item 4 Services, Fees and Compensation**

### **A. INVESTMENT ADVISORY SERVICES**

The client can determine to engage the Registrant to provide discretionary investment advisory services on a wrap *fee* basis. (*See* discussion below). If a client determines to engage the Registrant on a wrap fee basis the client will pay a single fee for bundled services (i.e. investment advisory, brokerage, custody). The services included in a wrap fee agreement will depend upon each client's particular need.

### **PRIVATE INVESTMENT MANAGEMENT WRAP PROGRAM**

The Registrant is the sponsor and investment manager of Private Investment Management Program (the "PIM program"). Under the PIM program, the Registrant is able to offer participants discretionary investment management services, for a single specified annual Program fee, inclusive of trade execution, custody, reporting, and investment management fees. The current annual Program fee ranges from negotiable to 1.5%, depending upon the amount and type of the Program assets.

The Registrant charges an annual wrap fee for participation in the Program. The wrap fee will be charged as a percentage of assets under management, as follows:

<u>Market Value of Portfolio</u>	<u>Annual % Fee</u>
First \$250,000	1.50%
Next \$250,000	1.40%
Next \$500,000	1.25%
Next \$4,000,000	1.00%
Over \$5,000,000	0.75%

Under the PIM program, the Registrant shall be provided with written authority to determine which securities and the amounts of securities that are bought or sold. Any limitations on this discretionary authority shall be included in the written agreement between each client and the Registrant. Clients may change/amend these limitations, in writing, at any time. The client shall have reasonable access to one of the Registrant's investment professionals to discuss their account. The Registrant shall rebalance client portfolios quarterly.

First Clearing Corporation ("*First Clearing*") shall serve as the custodian for Program accounts.

### **MASTERS PROGRAM**

The Masters Program is a discretionary management program involving a select group of investment managers ("Sub-Account Managers") meeting certain qualification standards set by *First Clearing* and approved by the Registrant. All Sub-Account Managers enter

into appropriate, standard-form sub-advisory contracts with Wells Fargo Advisors obligating each Sub-Account Manager to perform its respective duties in accordance with the requirements of the Masters Program. The Registrant selects one or more Sub-Account Managers to be responsible, on a discretionary basis, for the investment and reinvestment of all or a portion of the Masters Program assets. The Registrant has discretion as to the management of the Masters Program including the appointment of Sub-Account Managers. Subject to limitations described in the client's responses to the Registrant's Client Profile form, or any other appropriate suitability analysis obtained by the Registrant from the client (including reasonable restrictions on the investment and reinvestment of Masters Program account assets), selected Sub-Account Managers shall have discretion to manage the investments of each Masters Program client account under the oversight of the Registrant without prior consultation with the client. The Registrant may, in its own discretion, or at the request of the client, replace and/or terminate any Masters Program Sub-Account Manager. Unless otherwise specified, all securities will be held by, and all Masters Program account transactions will be effected through *First Clearing*.

\*Asset level requirements vary per manager but are typically \$100,000. At present, there is typically a \$150,000 minimum overall portfolio size for entry into the Masters Program.

## **ASSET ADVISOR**

Asset Advisor is a full service investment advisory program that includes advisory services, custodial and transactional costs in a single asset based fee. The Registrant offers this program through an agreement with our clearing agent First Clearing LLC.

Clients have the ability to invest in a variety of investment products including stocks, bonds, mutual funds and options. Clients may make their own investment decisions and conduct transactions on an unsolicited basis or work with a firm advisory representative to help choose investments best suited for their needs. Investment decisions made by the advisory representative are generally based on a variety of factors including client's investment objectives, risk tolerance liquidity needs and time frame.

Investment advice offered under Asset Advisor is tailored to the individual's needs, as determined by the client and the advisor.

Asset advisor is a wrap fee account providing investment advice, trade execution and custodial services for a single asset-based fee. Our clearing agent, First Clearing and HWAM share in a portion of this fee for services provided.

**Fee Differentials:** In certain circumstances, the Registrant, in its sole discretion, may charge a different wrap fee (higher or lower) based upon certain criteria (i.e., complexity of the engagement, anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, anticipated level and scope of other services to be provided (i.e. financial planning services), negotiations with client etc.).

**Fee Calculation:** The fee charged is calculated as described above and is not charged on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of an advisory client, pursuant to Section 205(a)(1) of the Investment Advisers Act of 1940, as amended (hereinafter the “Act”).

**Fee Payment:** Clients will be charged in advance at the beginning of each calendar quarter based upon the value (market value or fair market value in the absence of market value, plus any credit balance or minus any debit balance), of the client's account at the end of the previous quarter. Fees are prorated for accounts opened during the quarter. An additional fee for the current quarter will be assessed if assets are deposited after the beginning of the quarter, prorated based on the number of calendar days remaining in the quarter during which the service will be in effect. No portion of the fee will be credited to the client for the current calendar quarter should any withdrawals from the portfolio occur in the same calendar quarter.

**Termination of Advisory Relationship:** A client agreement may be canceled at any time, by either party, for any reason upon receipt of prior written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded. The client has the right to terminate an agreement without penalty within five (5) business days after entering into the agreement.

## MISCELLANEOUS

**Client Responsibilities:** In performing any of its services, the Registrant shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Furthermore, unless the client indicates to the contrary in the client's Account Profile/Investment Policy statement, the Registrant shall assume that there are no restrictions on its services, other than to manage the account in accordance with the client's designated investment objective. **Moreover, it remains each client's responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising the Registrant's previous recommendations and/or services.**

**Please Note: Investment Performance:** As a condition to participating in the Program, the participant **must** accept that past performance may not be indicative of future results, and understand that the future performance of any specific investment or investment strategy (**including** the investments and/or investment strategies purchased and/or undertaken by the Registrant) **may not:** (1) achieve their intended objective; (2) be profitable; or, (3) equal historical performance level(s) or any other performance level(s).

- B. Participation in the Program may cost more or less than purchasing such services separately. Also the Program fee charged by Registrant for participation in the Program may be higher or lower than those charged by other sponsors of comparable wrap fee programs.

Depending upon the percentage wrap-fee charged by the Registrant, the amount of portfolio activity in the client's account, and the value of custodial and other services provided, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately and/or if the Registrant were to negotiate transaction fees and seek best price and execution of transactions for the client's account.

- C. The Program's wrap fee does not include certain charges and administrative fees, including, but not limited to, fees charged by *Independent Managers*, transaction charges (excluding mark-ups and mark-downs) resulting from trades effected through or with a broker-dealer other than *First Clearing*, transfer taxes, odd lot differentials, exchange fees, interest charges, American Depository Receipt agency processing fees, and any charges, taxes or other fees mandated by any federal, state or other applicable law or otherwise agreed to with regard to client accounts. Such fees and expenses are in addition to the Program's wrap fee.
- D. The Registrant may receive rebates on funds deposited in money market accounts held on the managed money platform
- E. Registrant's related persons who recommend the PIM Wrap Fee program to clients do not receive compensation as a result of a client's participation in the wrap fee program.

#### **RETIREMENT SAVINGS PROGRAM ("HORIZONS 401(K)")**

The Registrant also offers managed accounts within a Retirement Savings Plan (the "Plan") for companies. The program, referred to as Horizons 401(k), offers Plan participants asset allocation based portfolios and selected mutual funds for self-directed investing. The Registrant generally performs the following services within the Horizons 401(k) Program:

1) Develop Model Portfolios; 2) Manage Model Portfolios; 3) Recommend changes in the portfolio weightings for each model on a quarterly basis; 4) Recommend mutual funds for use as investment options to plan participants who choose the self-directed investment option; and 5) Provide quarterly performance which will be made available to the Plan Sponsor by Registrant.

At the present time, Horizons 401(k)'s model portfolios consist of the following:

- 1) Low Risk Model
- 2) Conservative Model
- 3) Moderate Model
- 4) Growth Model
- 5) Enhanced Growth Model

The Registrant will only have responsibility for investment advisory services related to the Plan but may, at the request of the Plan, recommend a Third Party Administrator to perform any necessary compliance and recordkeeping duties. **Please Note:** It is ultimately the responsibility of the Plan's Sponsor to select the Third Party Administrator to be utilized. If the Plan engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the Plan agrees to seek recourse exclusively from and against the engaged professional.

## **Item 5 Account Requirements and Types of Clients**

The Registrant's clients shall generally include individuals, business entities, trusts, estates, charitable organizations, investment companies and pension and profit sharing plans. The Registrant generally requires a minimum asset level of \$50,000 for clients to open or maintain a Program account. The Registrant, in its sole discretion, may charge a lesser investment management fee and/or waive or reduce its minimum asset requirement based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

## **Item 6 Portfolio Manager Selection and Evaluation**

- A. The Registrant may allocate a portion of a client's Program assets among unaffiliated independent investment managers in accordance with the client's designated investment objective(s). In such situations, the *Independent Manager[s]* shall have day-to-day responsibility for the active discretionary management of the allocated Program assets. The Registrant shall continue to render investment supervisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. Factors which the Registrant shall consider in recommending *Independent Manager[s]* include the client's designated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research. To the extent possible, the Registrant shall verify any performance information provided by *Independent Managers* for accuracy and regulatory compliance.
- B. The Registrant acts as the portfolio manager for the Program. Inasmuch as the execution costs for transactions effected in the client account will be paid by the Registrant, a potential conflict of interest arises in that the Registrant may have a disincentive to trade securities in the client account. In addition, the amount of compensation received by the Registrant as a result of the client's participation in the Program may be more than what the Registrant would receive if the client paid separately for investment advice, brokerage and other services.

As the Program sponsor, the Registrant shall be responsible for the primary management of the Program, including the selection and termination of all *Independent Manager[s]*. Once selected, *Independent Manager[s]* shall be responsible for day-to-day management and selection of securities for the account.

- C. As discussed below, the Registrant also offers to its clients discretionary investment advisory services through various investment programs, consulting services to sponsors of participant directed retirement plans. The Registrant also serves as the portfolio supervisor to affiliated unit investment trusts.

## **Miscellaneous Advisory Services Disclosure**

**Non-Investment Consulting/Implementation Services.** To the extent requested by the client, the Registrant *may* provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Neither the Registrant, nor any of its representatives, serves as an attorney or accountant, and no portion of the Registrant's services should be construed as same. To the extent requested by a client, the Registrant may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.), including representatives of the Registrant in their separate registered/licensed capacities as discussed below. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** Each client is advised that it remains the client's responsibility to promptly notify the Registrant if there is ever any change in client's financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

**Please Note (Wrap/Managed Account programs):** In the event that Registrant is engaged to provide investment management services as part of an unaffiliated wrap-fee program, Registrant will be unable to negotiate commissions and/or transaction costs. Under a wrap program, the wrap program sponsor arranges for the investor participant to receive investment advisory services, the execution of securities brokerage transactions, custody and reporting services for a single specified fee. Participation in a wrap program may cost the participant more or less than purchasing such services separately. In the event that Registrant is engaged to provide investment management services as part of an unaffiliated managed account program, Registrant will likewise be unable to negotiate commissions and/or transaction costs. If the program is offered on a non-wrap basis, the program sponsor will determine the broker-dealer through which transactions must be effected, and the amount of transaction fees and/or commissions to be charged to the participant investor accounts.

**Sub-Advisory Arrangements.** The Registrant may engage sub-advisors for the purpose of assisting the Registrant with the management of its client accounts. The sub-advisor(s) shall have discretionary authority for the day-to-day management of the assets that are allocated to it by the Registrant. The sub-advisor shall continue in such capacity until such arrangement is terminated or modified by the Registrant. The Registrant shall pay a portion of the investment advisory fee received for these allocated assets to the sub-advisor for its sub-advisory services. The Registrant's Chief Compliance Officer, Al Vermitsky, remains available to address any questions concerning the Registrant's sub-advisory arrangements.

**Trade Error Policy.** Registrant shall reimburse accounts for losses resulting from the Registrant's trade errors, but shall not credit accounts for such errors resulting in market gains. The gains and losses are reconciled within the Registrant's custodian firm account and Registrant retains the net gains and losses.

**Client Obligations.** In performing its services, Registrant shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify the Registrant if there is ever any change in



his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

**Disclosure Statement.** A copy of Registrant's written disclosure statement as set forth on Part 2A and/or Appendix 1 of Part 2A on Form ADV shall be provided to each client prior to or contemporaneously with the execution of the *Investment Advisory Agreement*. Any client who has not received a copy of Registrant's written disclosure statement at least 48 hours prior to executing the *Investment Advisory Agreement* shall have five business days subsequent to executing the agreement to terminate the Registrant's services without penalty.

The Registrant shall provide investment advisory services specific to needs of each client. Prior to providing investment advisory services, an investment adviser representative will discuss with each client, their particular investment objective(s). The Registrant shall allocate each client's investment assets consistent with their designated investment objective(s). Clients may, at anytime, impose restrictions, in writing, on the Registrant's services.

Registrant only provides investment management on a wrap fee basis. However, as stated above, if a client determines to engage the Registrant on a wrap fee basis the client will pay a single fee for bundled services (i.e. investment advisory, brokerage, custody) (*See* Item 4.A). The services included in a wrap fee agreement will depend upon each client's particular need.

### **Performance Based Fees and Side-By-Side Management**

Neither the Registrant nor any supervised person of the Registrant accepts performance-based fees.

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

The Registrant shall utilize the following methods of security analysis:

- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
- Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)

The Registrant shall utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)
- Trading (securities sold within thirty (30) days)

**Please Note: Investment Risk.** Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by the Registrant) will be profitable or equal any specific performance level(s).

The Registrant's methods of analysis and investment strategies do not present any significant or unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis the Registrant must have access to current/new market information. The Registrant has no control over the dissemination rate of market information; therefore, unbeknownst to the Registrant, certain analyses may be compiled with outdated market information, severely limiting the value of the Registrant's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

The Registrant's primary investment strategies - Long Term Purchases, Short Term Purchases, and Trading - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy. Trading, an investment strategy that requires the purchase and sale of securities within a thirty (30) day investment time period involves a very short investment time period but will incur higher transaction costs when compared to a short term investment strategy and substantially higher transaction costs than a longer term investment strategy.

Currently, the Registrant primarily allocates client investment assets among various individual equity (stocks), debt (bonds), and fixed income securities, mutual funds, exchange traded funds, exchange traded notes and/or Unit Investment Trusts, on a discretionary basis in accordance with the client's designated investment objective(s).

**Independent Managers.** The Registrant may allocate (and/or recommend that the client allocate) a portion of a client's investment assets among unaffiliated independent investment managers in accordance with the client's designated investment objective(s). In such situations, the *Independent Manager[s]* shall have day-to-day responsibility for the active discretionary management of the allocated assets. The Registrant shall continue to render investment supervisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. Factors which the Registrant shall consider in recommending *Independent Manager[s]* include the client's designated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research.

## **Voting Client Securities**

The Registrant does not vote proxies for clients participating in the PIM program. The Sub-Account Manager shall vote proxies on behalf of participants of the Masters Program, unless otherwise instructed by participants at the time they open their Masters Program account. Registrant has adopted procedures that are designed to ensure that

client securities are voted in the best interests of its clients, and to avoid potential conflicts of interest that may arise between Registrant's interests and those of its clients. A copy of Registrant's proxy voting policies and procedures is available upon request.

For those clients that the Registrant shall not be responsible for voting proxies, the Registrant/ Sub-Account Manager shall forward any proxy solicitations to the client or to the person designated by the client, within a reasonable period of time, any materials or other information with respect to any such proxy solicitations received from the issuer or third party.

## **Item 7            Client Information Provided to Portfolio Managers**

The Registrant shall be the Program's portfolio manager. The Registrant shall provide investment advisory services specific to needs of each client. Prior to providing investment advisory services, an investment adviser representative will discuss with each client, their particular investment objective(s). The Registrant shall allocate each client's investment assets consistent with their designated investment objective(s). Clients may, at anytime, impose restrictions, in writing, on the Registrant's services.

As indicated above, each client is advised that it remains his/her/its responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

To the extent the Program utilizes *Independent Manager[s]*, the Registrant shall provide the *Independent Manager[s]* with each client's particular investment objective(s). Any changes in the client's financial situation or investment objectives reported by the client to the Registrant shall be communicated to the *Independent Manager[s]* within a reasonable period of time.

## **Item 8            Client Contact with Portfolio Managers**

The client shall have, without restriction, reasonable access to the Program's portfolio manager.

## **Item 9            Additional Information**

- A. Neither the Registrant nor any management person has ever been the subject of a criminal or civil proceeding.

Neither the Registrant nor any management person has ever been the subject of a proceeding before the SEC or any other federal regulatory agency.

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

Certain of Registrant's representatives are also registered representatives of Hennion & Walsh, Inc. ("*H&W*"), an affiliated FINRA member broker-dealer.

Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.

**Registered Representatives of an Affiliated Broker-Dealer: *H&W*.** Certain of Registrant's representatives, are registered representatives of *H&W*, an affiliated FINRA member broker-dealer. Clients may choose to engage Registrant's representatives in their individual capacities as registered representatives of *H&W*, to implement investment recommendations on a commission basis.

**Conflict of Interest:** The recommendation by Registrant's representatives that a client purchase a securities commission product presents a *material conflict of interest*, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from Registrant's affiliate and/or representatives. Clients are reminded that they may purchase securities products recommended by the Registrant through other non-affiliated broker-dealers. **The Registrant's Chief Compliance Officer, Al Vermitsky, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

**Portfolio Supervisor to Unit Investment Trusts ("UIT").** The Registrant serves as the portfolio supervisor to unit investment trusts sponsored by *H&W*, its affiliated member broker-dealer. The terms and conditions of each UIT shall be set forth in its corresponding offering and governing documents. The Registrant's role is generally limited to the oversight of the underlying portfolio of UIT assets. *H&W*, in its separate registered capacity, shall be responsible for the creation, sale and administration of each UIT. *H&W* typically selects underlying UIT portfolios; however, the Registrant may select certain UIT portfolios and/or provide investment advice to *H&W* or otherwise assist in connection with such portfolio selection. In addition, third party investment advisers may select certain UIT portfolios and/or provide investment advice to *H&W* and/or the Registrant or otherwise assist in the connection with such portfolio selection. **The Registrant's Chief Compliance Officer, Al Vermitsky, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

**Licensed Insurance Agents.** Registrant's representatives, in their individual capacities, are licensed insurance agents, and may recommend the purchase of certain insurance-related products on a commission basis. As referenced in Item 4 B above, clients can engage certain of Registrant's representatives to effect insurance transactions on a commission basis.

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

Clients are reminded that they may purchase insurance products recommended by Registrant through other non-affiliated insurance agents. **The Registrant's Chief Compliance Officer, Al Vermitsky, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

The Registrant does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

**A. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

The Registrant maintains an investment policy relative to personal securities transactions. This investment policy is part of Registrant's overall Code of Ethics, which serves to establish a standard of business conduct for all of Registrant's representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, the Registrant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Registrant or any person associated with the Registrant.

Neither the Registrant nor any related person of Registrant recommends, buys, or sells for client accounts, securities in which the Registrant or any related person of Registrant has a material financial interest.

The Registrant and/or representatives of the Registrant *may* buy or sell securities that are also recommended to clients. This practice may create a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if the Registrant did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of the Registrant's clients) and other potentially abusive practices.

The Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Registrant's "Access Persons". The Registrant's securities transaction policy requires that Access Person of the Registrant must provide the Chief Compliance Officer or his/her designee with a written report of the their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date the Registrant selects; provided, however that at any time that the *Registrant* has only one Access Person, he or she shall not be required to submit any securities report described above.

The Registrant and/or representatives of the Registrant *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where the Registrant and/or representatives of the Registrant are in

a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above, the Registrant has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Registrant's Access Persons.

### **Review of Accounts**

For those clients to whom Registrant provides investment supervisory services, account reviews are conducted on an ongoing basis by the Registrant's Principals. All investment supervisory clients are advised that it remains their responsibility to advise the Registrant of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with the Registrant on an annual basis.

The Registrant *may* conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.

Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance.

### **Client Referrals and Other Compensation**

The Registrant may receive an indirect economic benefit from *First Clearing*. The Registrant, without cost (and/or at a discount), may receive support services and/or products from *First Clearing*.

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at *First Clearing* as result of this arrangement. There is no corresponding commitment made by the Registrant to *First Clearing* or any other any entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as result of the above arrangement.

**The Registrant's Chief Compliance Officer, Al Vermitsky, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.**

Neither the Registrant nor any related person compensates any person who is not a supervised person for client referrals.

### **Financial Information**

The Registrant does not solicit fees of more than \$1,200, per client, six months or more in advance.

The Registrant is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.

The Registrant has not been the subject of a bankruptcy petition.

**ANY QUESTIONS: The Registrant's Chief Compliance Officer, Al Vermitsky, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**