

# Firm Brochure

March 31, 2014

## **Abacus Wealth Partners, LLC**

*a Registered Investment Adviser*

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This brochure provides information about the qualifications and business practices of Abacus Wealth Partners, LLC (hereinafter "Abacus" "we", "us" or "our"). If you have any questions about the contents of this brochure, please contact Jessica Lu at (310) 566-1888. 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 Abacus Wealth Partners, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Abacus Wealth Partners, LLC is an SEC registered investment adviser. Registration does not imply any level of skill or training.

## **Item 2. Material Changes**

This Item discusses only the material changes that have occurred since Abacus's last annual update July 22, 2013. Abacus does not have any material changes to disclose in this Item.

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## Item 4. Advisory Business

Abacus is an investment adviser that specializes in financial planning, which we define as the long-term process of wisely managing your finances so you can achieve your goals and dreams, while at the same time negotiating the financial barriers that inevitably arise in every stage of life. Abacus provides financial planning, consulting, and investment management services. Prior to engaging the firm to provide any of the foregoing investment advisory services, the client is required to enter into one or more written agreements with Abacus setting forth the terms and conditions under which Abacus renders its services (collectively the “*Agreement*”).

Abacus serves as general partner and investment manager of the Abacus Sustainable Fund, L.P. (“ASF”) and general partner and co-investment manager of the Abacus Impact Fund 2013, L.P. (“AIF 2013”). Imprint Capital Advisors, LLC is also co-investment manager of AIF 2013. ASF, launched in 2008, and AIF 2013 are funds of funds that aim to bring accredited investors competitive returns alongside positive social change (see additional disclosures in Item 10 below).

Abacus began its operations in 2004 after the merger of Abacus Wealth Management, LLC (“AWM”) and Sherman Financial, Inc. (“SFI”). Since the merger, AWM and SFI have been the principal owners of Abacus, with each holding a 38% stake. SFI is solely owned by Spencer Sherman and AWM is solely owned by Brenton Kessel.

As of January 31, 2013 Abacus had \$ 988,208,135 of assets under management, of which \$949,992,543 were managed on a discretionary basis and \$38,215,592 were managed on a non-discretionary basis.

This Firm Brochure describes Abacus’s business. Certain sections will also describe the activities of *Supervised Persons*. *Supervised Persons* are any of Abacus’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on Abacus’s behalf and is subject to Abacus’s supervision or control.

### Financial Planning and Consulting Services

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Abacus may provide its clients with a broad range of comprehensive financial planning and consulting services. These services include business planning, investments, insurance, retirement, education, estate planning, and tax and cash flow needs of the client. Financial Planning starts with goal setting, and depending on your goals, the following areas may be addressed:

**Goal setting** – Goal setting begins with the Personal Goals Discovery, a one-to-two hour meeting in which we learn about the goals that will be central to your financial plan. We then collect all the financial data that we need to analyze how much you should earn, spend and save to reach your most important goals.

**Retirement planning** – Nearly all clients include retirement as one of their financial goals. An “Enough for Life Report,” which is a lifetime cash-flow projection, is created to analyze when and under what other circumstances that retirement can be achieved. This includes projections of investment returns, taxes,

types of retirement accounts, spending and income as well as values of assets and paying down of liabilities.

Estate planning – In conjunction with your estate planning attorney, we help analyze and suggest the most appropriate estate planning techniques and tools. The analysis incorporates the income needs of dependents, philanthropic goals, business transition and trust management.

Insurance – We advise you on the proper amount and type of insurance for your needs by comparing lifetime and disability income needs to your assets. This advice can cover life, disability, property, automobile, earthquake, hurricane, long-term-care and umbrella liability insurance. We may direct you to no-load and low-load insurance products that may not be available through typical insurance agents. Abacus does not sell insurance nor does it receive commissions for referrals to insurance brokers.

Philanthropic giving – Abacus provides advice regarding tax-appropriate vehicles to accomplish your philanthropic objectives, as well as determining which assets to use for funding such a vehicle.

Other planning services – Abacus provides advice regarding funding college accounts, real estate issues, business transition planning and family meeting coordination.

In performing its services, Abacus is not required to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. Abacus may recommend the services of itself and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if Abacus recommends its own services. The client is under no obligation to act upon any of the recommendations made by Abacus under a financial planning or consulting engagement or to engage the services of any such recommended professional, including Abacus itself. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of Abacus's recommendations. Clients are advised that it remains their responsibility to promptly notify Abacus if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising Abacus's previous recommendations and/or services.

### **Investment Management Services**

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Clients can engage Abacus to manage all or a portion of their assets on a discretionary basis. Provided that clients invest a certain amount as provided in Item 5, Abacus's investment management services also include financial planning services.

Abacus primarily allocates clients' investment management assets among mutual funds, although it may also advise on other securities such as exchange-traded funds ("ETFs"), individual debt and equity securities and/or options as well as the securities components of variable annuities and variable life insurance contracts in accordance with the investment objectives of the client. In addition, Abacus may recommend that clients who are "accredited investors" as defined under Rule 501 of the Securities Act of

1933, as amended, invest in private placement securities, which may include debt, equity, and/or pooled investment vehicles when consistent with the clients' investment objectives. Abacus also provides advice about any type of investment held in clients' portfolios.

Abacus also may render non-discretionary investment management services to clients relative to variable life/annuity products that they may own, their individual employer-sponsored retirement plans, and/or 529 plans or other products that may not be held by the client's primary custodian. In so doing, Abacus either directs or recommends the allocation of client assets among the various investment options that are available with the product. Client assets are maintained at the specific insurance company or custodian designated by the product.

Abacus tailors its advisory services to the individual needs of clients. Abacus consults with clients initially and on an ongoing basis to determine risk tolerance, time horizon and other factors that may impact the clients' investment needs. Abacus ensures that clients' investments are suitable for their investment needs, goals, objectives and risk tolerance.

Clients are advised to promptly notify Abacus if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon Abacus's management services. Clients may impose reasonable restrictions or mandates on the management of their account (e.g., require that a portion of their assets be invested in socially responsible funds) if, in Abacus's sole discretion, the conditions will not materially impact the performance of a portfolio strategy or prove overly burdensome to its management efforts.

### **Item 5. Fees and Compensation**

Abacus offers its services on a fee basis, which may include hourly and/or fixed fees, as well as fees based upon assets under management.

#### **Financial Planning and Consulting Fees**

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Abacus generally includes financial planning in its investment management fee for clients whose investment management fee exceeds \$10,000 annually. For clients who wish to engage the firm for financial planning services only or whose management fee is less than \$10,000 annually, the firm general charges on an hourly or retainer basis, depending on the specific nature of the engagement. These fees are negotiable, but generally range from \$150 to \$300 on an hourly rate basis, depending upon the level and scope of the services and the professional rendering the financial planning and/or the consulting services. If the client engages Abacus for additional investment advisory services, Abacus may offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services.

Abacus provides consulting services as well, and can provide specific services with respect to real estate-related investments. Such services are not considered investment management and real estate

## Abacus Wealth Partners, LLC Firm Brochure

consulting with respect to real property will be excluded from the fee schedule outlined below. An agreed-upon flat fee is applicable and will be billed in accordance with the hourly rates and policies outlined in this Item. If a client requires extra planning services in anticipation of the sale of a property, additional fees will apply. An estimate of the time required and total fees to be incurred will be discussed with the client in advance of the engagement.

Prior to engaging Abacus to provide financial planning and/or consulting services, the client is required to enter into a written agreement with Abacus setting forth the terms and conditions of the engagement. Generally, Abacus requires one-half of the financial planning or consulting fee (estimated hourly or fixed) payable upon entering the written agreement. The balance is generally due upon delivery of the financial plan or completion of the agreed upon services.

### Investment Management Fee

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Abacus provides investment management services for an annual fee based upon a percentage of the market value of the assets being managed by Abacus. Abacus's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. Abacus does not, however, receive any portion of these commissions, fees, and costs. Abacus's annual fee is prorated and charged quarterly, in advance, based upon the market value of the assets being managed by Abacus on the last day of the previous quarter. The annual fee varies (between 0.25% and 1.00%) depending upon the market value of the assets under management, as follows:

<b><u>PORTFOLIO VALUE</u></b>	<b><u>BASE FEE</u></b>
up to \$3,000,000	1.00%
\$3,000,001 - \$5,000,000	0.75%
\$5,000,001 - \$15,000,000	0.50%
above \$15,000,000	0.25%

Accounts belonging to spouses and immediate household members may be combined in applying the fee schedule above. Minimum quarterly fees may apply depending upon the investment assets and financial planning needs of the client. In accordance with the minimum fee schedule outlined in Item 7 below, there is a minimum household quarterly fee of \$150 for clients engaging Abacus for investment management services only.

Private, illiquid investments are excepted from the above fee grid, and the firm charges 2% to provide advice on such investments.

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Abacus, in its sole discretion, may negotiate to charge a lesser management fee 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, pre-existing client, account retention, *pro bono* activities, etc.).

### **Fees Charged by Financial Institutions**

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As further discussed in response to Item 12 (below), Abacus generally recommends that clients utilize the brokerage and clearing services of Charles Schwab & Co., Inc. ("*Schwab*") and/or TD AMERITRADE Institutional, a division of TD AMERITRADE, Inc. ("*TD Ameritrade*") for investment management accounts.

Abacus may only implement its investment management recommendations after the client has arranged for and furnished Abacus with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to, *Schwab* and/or *TD Ameritrade*, any other broker-dealer recommended by Abacus, broker-dealer directed by the client, trust companies, banks etc. (collectively referred to herein as the "*Financial Institutions*").

Clients may incur certain charges imposed by the *Financial Institutions* and other third parties such as custodial fees, charges imposed directly by a mutual fund or ETF in the account, which are disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), 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. Additionally, for assets outside of any wrap fee programs, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to Abacus's fee.

Abacus's *Agreement* and the separate agreement with any *Financial Institutions* generally authorizes Abacus to debit the client's account for the amount of Abacus's fee and to directly remit that management fee to Abacus. Any *Financial Institutions* recommended by Abacus have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to Abacus. Alternatively, clients may elect to have Abacus send an invoice for payment.

### **Fees for Management During Partial Quarters of Service**

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For the initial period of investment management services, the fees are calculated on a *pro rata* basis.

The *Agreement* between Abacus and the client will continue in effect until terminated by either party pursuant to the terms of the *Agreement*. Abacus's fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate.

Clients may make additions to and withdrawals from their account at any time, subject to Abacus's right to terminate an account. Additions may be in cash or securities provided that Abacus reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account.



Clients may withdraw account assets on notice to Abacus, subject to the usual and customary securities settlement procedures. However, Abacus designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. Abacus may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

If assets are deposited into or withdrawn from an account after the inception of a quarter, the fee payable with respect to such assets will not be adjusted or prorated based on the number of days remaining in the quarter.

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

Abacus serves as the sponsor and general partner of the Abacus Sustainable Fund and the Abacus Impact Fund 2013 ("Funds"). For ASF, the firm collects management fees and performance fees from certain investors, but only in those instances where the investors are not also clients of Abacus's investment advisory and financial planning business. ASF's investment commitment period was May 2008 through 2009. No new investors are permitted into the Abacus Sustainable Fund except in the case where an investor chooses to transfer an interest in ASF subject to Abacus approval. Aside from the already-committed investments, which are no longer available, ASF may invest in mutual funds as liquidity vehicles and other private funds following the release of committed capital.

For AIF 2013, the firm collects management fees and performance fees from all investors, but provides a credit in the amount of the management fee to investors who are also clients of Abacus's investment advisory and financial planning business. AIF 2013's investment commitment period is April 2013 through April 2014. AIF 2013 expects to invest in six to twelve private equity funds that aim to bring investors competitive returns alongside positive social impact.

Performance fees are fees charged to only those investors when the Funds attain certain predetermined performance metrics. Performance fees pose a conflict of interest because they may incentivize Abacus to allocate favorable investments to the Funds in order to earn larger performance fees.

Abacus manages investments for clients, the firm itself, and its employees. Abacus and its employees may buy or sell securities identical to those recommended to customers for their personal accounts.

### **Item 7. Types of Clients**

Abacus provides its services to individuals, high net worth individuals, couples, families, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities.

## Minimum Account Size and/or Minimum Fee

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Although Abacus does not require a minimum portfolio size, it generally imposes a minimum annual fee of \$600. For clients with portfolios of less than \$60,000 under management, the minimum fee effectively raises the firm's annual fee to slightly more than 1% as provided in Item 5. Abacus, in its sole discretion, may waive its minimum annual fee based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and *pro bono* activities.

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

### Methods of Analysis

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Abacus primarily employs a fundamental method of investment analysis. *Fundamental analysis* involves the fundamental financial condition and competitive position of a company. Abacus will analyze the financial condition, capabilities of management, earnings, new products and services, as well as the company's markets and position amongst its competitors in order to determine the recommendations made to clients. The primary risk in using fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security.

### Investment Strategies

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Based on academic research, Abacus has adopted an asset class investing approach. Abacus looks at the performance of various asset classes over long periods of time to determine its sector allocations for its models, then chooses no load mutual funds to obtain the appropriate exposure to those asset classes. The investment approach is based on the assumption that the securities markets are generally efficient. The firm does not engage in stock picking, believing that a well-diversified portfolio will outperform an actively managed portfolio over most full market cycles. Abacus also does not engage in market timing, maintaining client allocations during all market cycles.

Abacus chooses investments based on its investment philosophy, which is grounded in investment research. Abacus believes the markets are generally efficient and that stock picking and market timing cause dramatic underperformance for most managers. Abacus believes traditional index funds have significant benefits that include discipline, low turnover, reduced costs, diversification and lack of subjectivity, all of which have been shown to add significantly to investment returns. However, typical index funds also have drawbacks, including higher costs in certain asset classes, and a rigid necessity to follow a brand-name index that can lead to less than optimal trade executions. Abacus generally utilizes passive institutional funds that are not available to the general public, and which capture the benefits of indexing while avoiding its drawbacks. These passive institutional funds serve as the core investment recommendations. Abacus' core investment portfolios include exposure to equities and alternatives such as commodities. The sector allocations are most often accomplished through the selection of appropriate mutual funds.

For clients with significant investment assets and who are accredited investors, clients may also have the opportunity to invest in private investments. Private investments are investments which are not publicly traded and which are often illiquid. Private investments are often attractive investment opportunities because they capitalize on one or more market inefficiencies. Market inefficiencies can lead to above average investment returns. Market inefficiencies can be caused by the illiquid nature of the market, significant barriers to entry to the market and/or a lack of transparent pricing. These investments are made only by the offering memorandums provided to investors. Abacus applies environmental sustainability screens to certain mutual fund investment it manages for clients. Clients with significant investment assets may choose to have their investments screened by various social criteria. Abacus works with an institutional investment advisor to implement these social screenings.

### **Risks of Loss**

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#### *Mutual Funds and Exchange Traded Funds (ETFs)*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

#### *Market Risks*

The profitability of a significant portion of Abacus's recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that Abacus will be able to predict those price movements accurately.

### *Use of Private Collective Investment Vehicles*

Abacus may recommend the investment by certain clients in privately placed collective investment vehicles (some of which may be typically called "hedge funds"). The managers of these vehicles will have broad discretion in selecting the investments. There are few limitations on the types of securities or other financial instruments which may be traded and no requirement to diversify. The hedge funds may trade on margin or otherwise leverage positions, thereby potentially increasing the risk to the vehicle. In addition, because the vehicles are not registered as investment companies, there is an absence of regulation. There are numerous other risks in investing in these securities. The client will receive a private placement memorandum and/or other documents explaining such risks.

### *Management Through Similarly Managed Accounts*

Abacus may manage portfolios by allocating portfolio assets among various mutual funds on a discretionary basis using one or more of its proprietary investment strategies (collectively referred to as "*investment strategy*"). In so doing, Abacus buys, sells, exchanges and/or transfers shares of mutual funds based upon the *investment strategy*.

Abacus's management using the *investment strategy* complies with the requirements of Rule 3a-4 of the Investment Company Act of 1940, as amended. Rule 3a-4 provides similarly managed accounts, such as the *investment strategy*, with a safe harbor from the definition of an investment company.

The *investment strategy* may involve an above-average portfolio turnover that could negatively impact upon the net after-tax gain experienced by an individual client. Securities in the *investment strategy* are usually exchanged and/or transferred without regard to a client's individual tax ramifications. Certain investment opportunities that become available to Abacus's clients may be limited. As further discussed in response to Item 12B (below), Abacus allocates investment opportunities among its clients on a fair and equitable basis.

### *General Risk of Loss*

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

## **Item 9. Disciplinary Information**

Abacus is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. Neither Abacus nor any of its advisory personnel have been the subject of any legal or disciplinary proceedings.

### Item 10. Other Financial Industry Activities and Affiliations

Abacus is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons.

#### Referral to Accounting Firm

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Abacus uses the accounting firm of Mann, Gelon, Glodney & Augenstein to prepare its tax returns, refers clients to this accounting firm and receives referrals from this accounting firm. Abacus neither pays nor receives referral fees from Mann, Gelon, Glodney & Augenstein.

#### Related Limited Partnership

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Abacus is the general partner of two limited partnerships it sponsors, Abacus Sustainable Fund and Abacus Impact Fund 2013. Abacus is entitled to management and performance fees from the partnerships, though it has chosen to waive or credit those fees in certain instances. See Item 6 for further disclosures.

### Item 11. Code of Ethics

Abacus and persons associated with Abacus ("Associated Persons") are permitted to buy or sell securities that it also recommends to clients consistent with Abacus's policies and procedures.

Abacus has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws ("*Code of Ethics*"). In accordance with Section 204A of the Investment Advisers Act of 1940 (the "Advisers Act"), its *Code of Ethics* contains written policies reasonably designed to prevent the unlawful use of material non-public information by Abacus or any of its associated persons. The *Code of Ethics* also requires that certain of Abacus's personnel (called "*Access Persons*") report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

Unless specifically permitted in Abacus's *Code of Ethics*, none of Abacus's *Access Persons* may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the *Access Person*) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of Abacus's clients.

When Abacus is purchasing or considering for purchase any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when Abacus is selling or considering the sale of any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market

instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

As discussed above in response to Items 4 and 10, Abacus is the general partner to the *Abacus Fund*. The *Abacus Fund* is closed to new investors. To the extent Abacus has recommended clients invest in the *Abacus Fund*, a conflict of interest exists. Abacus does not receive any additional compensation from clients who have invested in the *Abacus Fund*. As such, Abacus does not believe this arrangement poses any additional conflict of interest.

Clients and prospective clients may contact Abacus to request a copy of its *Code of Ethics*.

### Item 12. Brokerage Practices

As discussed above, in Item 5, Abacus generally recommends that clients utilize the brokerage and clearing services of *Schwab and/or TD Ameritrade*.

Factors which Abacus considers in recommending *Schwab and/or TD Ameritrade* or any other broker-dealer to clients may include their respective financial strength, reputation, execution, pricing, research and service. *Schwab and/or TD Ameritrade* enable Abacus to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by *Schwab and/or TD Ameritrade* may be higher or lower than those charged by other *Financial Institutions*.

The commissions paid by Abacus's clients comply with Abacus's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified *Financial Institution* might charge to effect the same transaction where Abacus determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a *Financial Institution's* services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. Abacus seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Abacus periodically and systematically reviews its policies and procedures regarding its recommendation of *Financial Institutions* in light of its duty to obtain best execution.

The client may direct Abacus in writing to use a particular *Financial Institution* to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that *Financial Institution*, and Abacus will not seek better execution services or prices from other *Financial Institutions* or be able to "batch" client transactions for execution through other *Financial*

*Institutions* with orders for other accounts managed by Abacus (as described below). As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, Abacus may decline a client's request to direct brokerage if, in Abacus's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Transactions for each client generally will be effected independently, unless Abacus decides to purchase or sell the same securities for several clients at approximately the same time. Abacus may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among Abacus's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among Abacus's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that Abacus determines to aggregate client orders for the purchase or sale of securities, including securities in which Abacus's *Supervised Persons* may invest, Abacus generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. Abacus does not receive any additional compensation or remuneration as a result of the aggregation. In the event that Abacus determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, Abacus may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist Abacus in its investment decision-making process. Such research generally will be used to service all of Abacus's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because Abacus does not have to produce or pay for the products or services.



Abacus does not participate in any Custodian's client referral program.

### **Software and Support Provided by Financial Institutions**

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Abacus may receive from *Schwab and/or TD Ameritrade*, respectively, without cost to Abacus, computer software and related systems support, which allow Abacus to better monitor client accounts maintained at those firms. Abacus may receive the software and related support without cost because Abacus renders investment management services to clients that maintain assets at *Schwab and/or TD Ameritrade*. The software and related systems support may benefit Abacus, but not its clients directly. In fulfilling its duties to its clients, Abacus endeavors at all times to put the interests of its clients first. Clients should be aware, however, that Abacus's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence Abacus's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

Additionally, Abacus may receive the following benefits from *Schwab* through its Schwab Institutional division: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services the Schwab Institutional participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

Abacus participates in the institutional customer program offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC/NFA ("*TD Ameritrade*"), an unaffiliated SEC-registered broker-dealer and FINRA member. *TD Ameritrade* offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Abacus receives some benefits from *TD Ameritrade* through its participation in the program.

There is no direct link between Abacus's participation in the program and the investment advice it gives to its clients, although Abacus receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. Additionally, Abacus may receive the following benefits from *TD Ameritrade* through its registered investment adviser division: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its Registered Investment Adviser participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information, access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Abacus by third party vendors.



These products or services may assist Abacus in managing and administering client accounts, including accounts not maintained at *TD Ameritrade*. Other services made available by *TD Ameritrade* are intended to help Abacus manage and further develop its business enterprise. The benefits received by Abacus's participation in the program do not depend on the amount of brokerage transactions directed to *TD Ameritrade*. Clients should be aware, however, that the receipt of economic benefits by Abacus or its related persons in and of itself creates a potential conflict of interest and may indirectly influence Abacus's recommendation of *TD Ameritrade* for custody and brokerage services.

Abacus considers a number of factors in selecting brokers and custodians at which to locate (or recommend location of) its client accounts, including, but not limited to, execution capability, experience and financial stability, reputation and the quality of services provided. In selecting *TD Ameritrade* as the broker and custodian for certain of its current and future client accounts, Abacus takes into consideration its arrangement with *TD Ameritrade* as to obtaining price discounts for *TD Ameritrade's* automatic portfolio rebalancing service for advisors known as "iRebal".

The standard iRebal annual license fee applicable to Adviser is \$32,000. That fee is subject to specified reductions (and even complete waiver) if specified amounts of client taxable assets are either already on the *TD Ameritrade* platform or are committed to be placed on it. Specified taxable client assets either maintained on or committed to the *TD Ameritrade* platform will bring fee reductions of up to \$32,000 per year for each of as many as three years or more.

Abacus may receive a price discount from *TD Ameritrade* for the portfolio rebalancing program for advisors, known as "iRebal." The standard iRebal annual license fee applicable to Abacus may be reduced or completely waived if specific amounts of client taxable assets are either already on the *TD Ameritrade* platform or are committed to being placed on there. Although Abacus believes that the products and services offered by *TD Ameritrade* are competitive in the marketplace for similar services offered by other broker-dealers or custodians, the arrangement with *TD Ameritrade* as to the iRebal service impacts Abacus' independent judgment in recommending *TD Ameritrade* as the broker or custodian for client accounts.

The non-taxable assets excluded from the maintenance and commitment levels described above are those that constitute "plan assets" of plans subject to Title 1 of the Employee Retirement Income Security Act of 1974, amended, or of plans as defined in Section 4975 of the Internal Revenue Code (which include IRAs). If Abacus does not maintain the relevant level of taxable assets on the *TD Ameritrade* platform, Abacus may be required to make a penalty fee payment to *TD Ameritrade* calculated on the basis of the shortfall.

### **Item 13. Review of Accounts**

For those clients to whom Abacus provides investment management services, Abacus monitors those portfolios as part of an ongoing process while regular account reviews are conducted on a periodically

basis. Such reviews are conducted by one or more of Abacus's investment adviser representatives, the firm's investment committee or chief investment officer. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with Abacus and to keep Abacus informed of any changes thereto. Abacus contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those clients to whom Abacus provides investment advisory services will also receive a report from Abacus that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance on a quarterly basis or as clients may request from time to time. Clients are urged to compare the account statements they receive from their custodian with those they receive from Abacus.

Those clients to whom Abacus provides financial planning and/or consulting services will receive reports from Abacus summarizing its analysis and conclusions as requested by the client or otherwise agreed to in writing by Abacus.

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

Abacus is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. In addition, Abacus is required to disclose any direct or indirect compensation that it provides for client referrals.

If a client is introduced to Abacus by either an unaffiliated or an affiliated solicitor, Abacus may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act and any corresponding state securities law requirements. Any such referral fee is paid solely from Abacus's investment management fee, and does not result in any additional charge to the client. If the client is introduced to Abacus by an unaffiliated solicitor, the solicitor provides the client with a copy of Abacus's written disclosure brochure which meets the requirements of Rule 204-3 of the Advisers Act and a copy of the solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement including compensation. Any affiliated solicitor of Abacus discloses the nature of his/her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of Abacus's written disclosure brochure at the time of the solicitation.

### **Item 15. Custody**

Abacus's *Agreement* and/or the separate agreement with any *Financial Institution* may authorize Abacus through such *Financial Institution* to debit the client's account for the amount of Abacus's fee and to directly remit that management fee to Abacus in accordance with applicable custody rules.

The *Financial Institutions* recommended by Abacus have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to Abacus. In addition, as discussed in Item 13, Abacus also sends periodic supplemental reports to clients. Clients are urged to carefully review the statements sent directly by the *Financial Institutions* and compare them to those received from Abacus.

Abacus also maintains custody of certain client funds as the general partner and investment manager of the Abacus Sustainable Fund and the Abacus Impact Fund 2013. Quarterly statements are prepared by a third-party administrator and an auditor performs an annual audit of the fund's financial statements.

### **Item 16. Investment Discretion**

With the exception of some legacy accounts which are managed on a non-discretionary basis, Abacus generally manages accounts with the authority to exercise investment discretion on behalf of clients. Abacus is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. Abacus is given this authority through a power-of-attorney included in the agreement between Abacus and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). Abacus takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold; and
- When transactions are made.

### **Item 17. Voting Client Securities**

Abacus does not vote or accept authority to vote client securities on behalf of its clients. Clients receive proxies directly from the *Financial Institutions*.

### **Item 18. Financial Information**

Abacus does not have any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.

**Abacus Wealth Partners, LLC**

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Prepared by:

