

# **Firm Brochure**

(Part 2A of Form ADV)

## **Papamarkou Wellner Asset Management, Inc.**

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This brochure provides information about the qualifications and business practices of Papamarkou Wellner Asset Management, Inc. If you have any questions about the contents of this brochure, please contact us at: 212-223-2020, or by email at: [Info@papamarkou.com](mailto:Info@papamarkou.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC"), or by any state securities authority.

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

**March 28, 2012**

### **New Narrative Form ADV Part 2 Filing History**

Initial Filing	March 31, 2011
Revision	July 11, 2011
Annual Updating Amendment	March 28, 2012

## Material Changes

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### Annual Update

This *Material Changes* section of the Brochure will be updated annually and whenever material changes occur subsequent to the previous release of this Brochure.

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### Material Changes since the Last Update

The SEC issued a final rule in July 2010 requiring investment advisers to provide a Firm Brochure in narrative “plain English” format. The new final rule specifies mandatory sections and organization. This Brochure is based on that guidance and includes all of the relevant specified mandatory sections and organization.

This is the March 28, 2012 Annual Updating Amendment.

- *The Brochure Supplement* (Part 2B of Form ADV), beginning on page 18, has been updated to reflect the current advisory personnel of the Firm.

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### Full Brochure Available

Whenever you would like to receive a complete copy of the Papamarkou Wellner Asset Management, Inc. Firm Brochure, please contact us by telephone at: 212-223-2020; or, by email at: [Info@papamarkou.com](mailto:Info@papamarkou.com).

# Table of Contents

<b>Material Changes</b>	<b>i</b>
Annual Update	i
Material Changes since the Last Update	i
Full Brochure Available	i
<b>Advisory Business</b>	<b>1</b>
Firm Description	1
Principal Owners	1
Types of Advisory Services	1
Tailored Relationships	2
Types of Agreements	2
Investment Advisory Agreement	3
Asset Management	4
Termination of Agreement	4
<b>Fees and Compensation</b>	<b>5</b>
Description	5
Fee Billing	5
Other Fees	6
Expense Ratios, Management and Performance Fees	6
<b>Performance-Based Fees</b>	<b>7</b>
Sharing of Capital Gains	7
<b>Types of Clients</b>	<b>7</b>
Description	7
Account Minimums	7
<b>Methods of Analysis, Investment Strategies and Risk of Loss</b>	<b>7</b>
Methods of Analysis, Sources of Information, and Investment Strategies	7
Investment Philosophy	8
Risk of Loss	9
<b>Disciplinary Information</b>	<b>10</b>
Legal and Disciplinary	10
<b>Other Financial Industry Activities and Affiliations</b>	<b>10</b>
Financial Industry Activities	10
Affiliations and the Mitigation of Potential Conflicts of Interest	11

<b>Code of Ethics, Participation or Interest in Client Transactions and Personal Trading ....</b>	<b>11</b>
Code of Ethics .....	11
Participation or Interest in Client Transactions.....	12
Personal Trading.....	12
<b>Brokerage Practices .....</b>	<b>12</b>
Selecting Brokerage Firms.....	12
Best Execution and Order Aggregation.....	13
Soft Dollars .....	13
<b>Review of Accounts .....</b>	<b>13</b>
Periodic Reviews .....	13
Nature and Frequency of Regular Reports to Clients .....	14
<b>Client Referrals and Other Compensation .....</b>	<b>14</b>
Soliciting on Behalf of Other Investment Advisors .....	14
<b>Custody .....</b>	<b>15</b>
Account Statements.....	15
Performance Reports and Net Worth or Value Statements .....	15
<b>Investment Discretion .....</b>	<b>15</b>
Discretionary Authority for Trading.....	15
The PW Portfolio LLC .....	15
<b>Voting Client Securities.....</b>	<b>15</b>
Proxy Votes .....	15
<b>Financial Information .....</b>	<b>16</b>
Financial Condition .....	16
<b>Business Continuity Plan.....</b>	<b>16</b>
General .....	16
Disasters .....	16
Alternate Offices .....	16
<b>Information Security Program .....</b>	<b>16</b>
Information Security .....	16
Privacy Notice .....	16
<b>Brochure Supplement (Part 2B of Form ADV) .....</b>	<b>18</b>
Education and Business Standards .....	18
Karl G. Wellner, President, CEO and CCO.....	18

Joanne Zerillo, President and CCO of PCI .....	18
Thorne L. Perkin, Managing Director .....	18
Lorenzo Lorenzotti, Director.....	19
James Prentice, Esq., Director - Manager Research .....	19
Nicolas E. Sitinas, Director – Investment Research.....	19
James A. Figg, III, Vice President .....	19
Brendan Hurley, Associate .....	20

## Advisory Business

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### Firm Description

Papamarkou Wellner Asset Management Incorporated (“PAMI;” the “Firm”) was founded in its original form in 1982 by Alexander P. Papamarkou. The Firm became registered with the Securities and Exchange Commission (“SEC”) in July 2004.

PAMI offers consulting services with respect to asset allocation and asset management to private clients, including High Net Worth Individuals, Family Offices, Endowments and Foundations. The Firm advises clients regarding the allocation of assets to different forms of investments and investment managers. The Firm does not advise clients directly as to investments in specific securities, per se. PAMI may give advice as to investments in asset classes, such as equities, fixed income, and alternative investments, including hedge funds, private equity and real estate. Subject to the needs and desires of a client, the Firm would prepare an Asset Allocation Plan and assist the client to implement that Plan. PAMI would monitor the performance of a client’s allocated assets, and, would recommend modifications from time to time as may be appropriate to the individual client. PAMI’s investment professionals take great pride in the discreet and highly personalized service the Firm offers.

PAMI writes and distributes free of charge to its clients a monthly commentary on the economy, capital markets and specific industries.

PAMI is also the investment manager for the PW Portfolio, LLC (“PW Portfolio”) a multi-manager, multi-strategy private fund of funds, which is based upon the proprietary research conducted by the Firm’s analysts intent on discovering “best of breed” managers across the various asset classes that can provide both performance and low volatility. The Fund is open to investors that meet its suitability requirements.

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### Principal Owners

PAMI is wholly owned by its CEO, CCO and sole Director, Mr. Karl Wellner.

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### Types of Advisory Services

1. As stated in the *Firm Description* (above) PAMI offers consulting services to private clients with respect to asset allocation and asset management. PAMI will advise its clients as to the optimal allocation of their assets (defined in the advisory agreement as the client’s account) across different forms of investments and investment managers, including, without limitation, the designation of other investment advisers, who will actually invest and reinvest assets on behalf of the client. The Firm may give advice as to investment in categories of securities, such as corporate securities, government securities, municipal securities, alternative investments, real estate, etc.

2. PAMI may solicit for other investment advisors, as it identifies through due diligence what it believes to be “best of breed” managers in the various asset classes.
3. In April 2010 PAMI acquired Key Hedge Fund LLC and renamed it the PW Portfolio LLC (“PW Portfolio”). The PW Portfolio is a fund of funds managed by PAMI. The fund is a diversified multi-manager platform providing access to best-of breed traditional and alternative investment managers. Its objective is to generate for investors absolute returns with low correlation to equity and fixed-income markets. Through a multi-manager strategy the portfolio is diversified across several uncorrelated investment strategies designed for U.S. taxable investors.

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### **Tailored Relationships**

The nature of PAMI’s primary advisory business is that it tailors its advisory services to the specific needs of the client. The Firm does not provide to its client’s direct investment recommendations for individual securities, such as stock or bond selection. Based on suitability information gathered for a particular client, including financial condition, investment objectives, investment risk profile and other factors that may be relevant to the proposed investments by a client, PAMI will advise the client about the allocation of their assets across different forms of investments and investment managers, including, without limitation, designation of other portfolio managers, who will actually invest and reinvest within specified asset classes on behalf of the client.

Where a client asks the Firm to do so, PAMI will prepare an Asset Allocation Plan subject to the written approval of the client. PAMI would then assist the client in the implementation of the Asset Allocation Plan and the reinvestment of cash and securities. On an ongoing basis, the Firm will monitor the performance in a client’s portfolio after the initial Asset Allocation Plan is implemented and report that performance to the client, whether monthly, quarterly, or at intervals requested by the client. PAMI would also recommend from time to time modifications to the Plan.

In the context of this asset allocation approach, PAMI will tailor its services to the needs and desires of the individual client.

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### **Types of Agreements**

PAMI does not conduct Financial Planning; Hourly Planning; Tax Preparation; or Discretionary Investing on behalf of its individual advisory clients. It does not recommend or execute on a discretionary basis transactions in individual securities. PAMI’s primary business model is to supply clients with access to some of the top performing investment managers available across the various asset classes, including equities, fixed income and alternative investments such as hedge funds, private equity funds and real estate. The types of agreements currently employed by the Firm include:

- the Advisory Agreement for asset allocation advisory services described above, which do not include discretionary accounts or individual stock or bond selections; and,
- the Offering Memorandum and Subscription Documents relating to the PW Portfolio, a proprietary private fund-of-funds managed by PAMI that involves the Firm directly managing on a discretionary basis the selection of investment advisors across the various asset classes targeted by the Fund.

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### **Investment Advisory Agreement**

An advisory client's investable assets as to which PAMI gives advice are referred to in the Investment Advisory Agreement as the client's "Account." To clarify, if the client has more than one account with PAMI for which an investment advisory fee is charged, then the fees computed, including fees charged on new assets and refunds given on withdrawn assets will be based on the combined value of all of the client's accounts. Accordingly, the group of accounts, for which the advisory agreement is made and the fee is calculated, are referred to as the "Account."

Whenever PAMI receives a referral fee from an investment advisor or portfolio manager for referral of the client to that investment manager, the advisory fee charged to the client by PAMI for those referred assets will be reduced by the amount of the referral fee to the extent that it does not exceed the advisory fee charged by PAMI.

There is no minimum account balance for new advisory or existing clients. Each advisory agreement is entered into by the volition of each party and able to be terminated by either party (see the *Termination of Agreement* section below). In terms of the Firm's advisory fee schedule, current client relationships may exist where the fees are higher or lower than the fee schedule below.

Advisory fees are NEGOTIABLE.

The current PAMI investment advisory fee is computed as follows:

- 0.25% of assets per quarter (approximately 1.00% per annum) on assets up to and including \$5 million;
- 0.1875% of assets per quarter (approximately 0.75% per annum) on assets over \$5 million and up to and including \$10 million;
- 0.15% of assets per quarter (approximately 0.60% per annum) on assets over \$10 million and up to and including \$15 million; and
- 0.1375% of assets per quarter (approximately 0.55% per annum) on assets over \$15 million and up to and including \$20 million
- Fees on assets over \$20 million are negotiable.

The investment advisory fee is payable in advance, at the inception of the Investment Advisory Agreement and on the first day of each subsequent calendar quarter (January 1, April 1, July 1 and October 1).



### **For Traditional and Marketable Alternative Assets**

The investment advisory fee for each calendar quarter is based on the market value of the client Account, as determined by PAMI in good faith, including cash, as of the preceding business day (the end of the preceding calendar quarter). The fee for the initial quarter shall be based on the market value of the initial and any subsequent investments in the initial quarter and shall be prorated for any applicable period of less than a full calendar quarter from the commencement of the Investment Advisory Agreement.

### **For Private Equity and other Non-Marketable Alternative Assets**

The investment advisory fee for the period from the date of the initial capital commitment to the end of the commitment period (as defined by the applicable documents of the specific fund in which the Client is investing) are based on the advisory client's total capital commitment. The investment advisory fee shall be payable to PAMI in quarterly installments in advance of each January 1, April 1, July 1 and October 1, and shall be prorated for any applicable period of less than a full calendar quarter. From the end of the commitment period (as defined in the applicable documents of the fund in which the Client is investing) until the dissolution of the investment vehicle, the investment advisory fee shall be based on the client's actively invested capital contribution.

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### **Asset Management**

As described above, the PW Portfolio is managed by PAMI. The PW Portfolio is a proprietary private fund of funds employing a multi-manager strategy diversified across several uncorrelated investment styles and asset classes designed for U.S. taxable investors. The Fund is open to investors that meet its suitability requirements. The fund can only be sold through by means of the Offering Memorandum and Subscription Documents provided to suitable high net worth investors.

To find out more about the fund, its suitability requirements, fees, expenses, and other relevant information, please contact PAMI by telephone at: 212-223-2020; or, by email at: [Info@papamarkou.com](mailto:Info@papamarkou.com).

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### **Termination of Agreement**

PAMI's Investment Advisory Agreement can be terminated by either the client or the Firm, upon written notice of termination from either party to the other, or as otherwise agreed between the client and PAMI. If termination occurs other than at the end of a quarter, PAMI will be entitled to its investment advisory fee for the portion of the quarter elapsed prior to termination, pro-rated based on the actual number of calendar days in that specific calendar quarter and the actual number of calendar days elapsed in that calendar quarter.

## Fees and Compensation

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### Description

The investment advisory fee is payable in advance at the inception of the Investment Advisory Agreement and on the first day of each subsequent calendar quarter (January 1, April 1, July 1 and October 1). Investment advisory fees are NEGOTIABLE.

The current PAMI investment advisory fee schedule is described above in the *Advisory Services Agreement* section, which includes specific additional information regarding the calculation of the advisory fee with respect to *Traditional or Marketable Alternative Assets* or *Private Equity and Other Non-Marketable Alternative Assets*.

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### Fee Billing

As stated above in the *Advisory Services Agreement* section, the investment advisory fee is payable in advance, at the inception of the Investment Advisory Agreement and on the first day of each subsequent calendar quarter (January 1, April 1, July 1 and October 1). PAMI sends to each investment advisory client a quarterly invoice of advisory fees due.

#### **Credit for Referral Fees**

When and if PAMI receives a referral fee from any portfolio manager or investment advisor on account of the referral of a PAMI advisory client to that manager or advisor, the fees advisory fees payable under the Investment Advisory Agreement will be reduced by the amount of the referral fee paid to PAMI by the manager or advisor to the extent that it does not exceed the advisory fee paid to PAMI by the client.

#### **Direct Payment of Fees**

PAMI's advisory clients may elect to expressly authorize the "qualified custodian" of their assets, as defined in Rule 206(4)-2 under the Investment Advisers Act of 1940, to pay any and all fees due to PAMI under the PAMI Investment Advisory Agreement directly from the client's assets without prior notice to the client, subject to satisfaction of all relevant conditions of Rule 206(4)-2.

#### **Additions or Withdrawals of Assets after the Beginning of a Quarter**

If a client places additional securities or cash in the PAMI Account after the beginning of a quarter, an additional advisory fee will be charged on the new assets, on a pro-rata basis, for the remaining days in the quarter. The fee will be calculated based on the market value of the client's Account on the day of, and giving effect to, the additional contribution. It will reflect any breakpoints applicable to the new aggregate market value as described in the PAMI Fee calculation schedule (in the *Investment Advisory Agreement* section above), and will be payable on the day the

additional assets are added to the Account. If the PAMI client withdraws more than 10% of the market value of the Account after the beginning of a quarter, the Firm will refund a pro-rated portion of the prepaid fee based on the number of days remaining in the quarter and the percentage of the withdrawal to the value of the Account as of the close of business on the business day prior to the withdrawal. Refunds less than \$500 may be credited to the next quarter's advisory fee.

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### **Other Fees**

PAMI does not charge any fees to client Accounts other than the Investment Advisory Fee. Custodians may charge transaction fees on purchases or sales of certain mutual funds and exchange-traded funds. These transaction charges are usually small and incidental to the purchase or sale of a security. The selection of the security is more important than the nominal fee that the custodian charges to buy or sell the security.

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

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### **Expense Ratios, Management and Performance Fees**

Alternative asset managers, mutual funds, and investment advisors generally charge a management fee for their services as investment managers of pooled investment vehicles. In the case of some investment managers, especially hedge fund managers, they may also charge a performance fee annually in addition to management fees, which are typically charged to the fund's assets quarterly. The management fee is typically called an expense ratio in a mutual fund and a management fee in a private fund. Private fund managers may also charge a performance fee in certain fund portfolios. For example, an expense ratio of 0.50 means that the mutual fund company charges 0.5% for their services. In the case of a hedge fund, an investment manager may charge a quarterly management fee of 1% to 2% of assets under management quarterly in addition to an annual performance fee of as much as 20% to 30% of the capital appreciation in the fund. These fees are in addition to the fees paid by you to PAMI for advisory services. A mutual fund's Prospectus and Statement of Additional Information and a private fund's Offering Memorandum described in detail all of a fund's suitability, risks, investment practices, and fees charged. No investment in a fund should be made without a complete reading and understanding of the risks.

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

## Performance-Based Fees

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### Sharing of Capital Gains

PAMI does not charge performance fees of any kind. Its investment advisory fees are NOT based on a share of the capital gains or capital appreciation of client assets that it advises. PAMI does not use a performance-based fee structure because of the potential conflict of interest. Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client.

In the case of private equity investments by PAMI advisory clients as recommended by PAMI, the PAMI advisory fee is charged based on the capital account balance of the client with the private equity fund from the end of the investment period until the client assets are returned. Accordingly, the PAMI advisory fee would be subject to the appreciation and depreciation of the capital account. This is not necessarily seen as a performance fee. But in the case of positive returns it would have a similar effect. In the case of negative returns the PAMI advisory fee would be less.

Regarding the PW Portfolio, please see the Offering Memorandum for information related to PAMI's investment management of that portfolio.

## Types of Clients

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### Description

PAMI generally provides investment advice to High Net Worth Individuals, Family Offices, Endowments and Foundations, Pensions and Profit Sharing Plans, and Trusts, Estates, and other Charitable Organizations.

Client relationships vary in scope and length of service.

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### Account Minimums

There is no minimum account balance for new advisory or existing clients. Each advisory agreement is entered into by the volition of each party and can be terminated by either party (see the *Termination of Agreement* section above). In terms of the Firm's advisory fee schedule, current client relationships may exist where the fees are higher or lower than the fee schedule below.

Advisory fees are NEGOTIABLE.

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

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### Methods of Analysis, Sources of Information, and Investment Strategies

By using fundamental and cyclical analyses, PAMI prepares monthly commentaries on the economy, capital markets, and specific industries which it sends to its clients free of charge.

The Firm does not provide direct investment recommendations for individual securities, such as stock or bond selection. PAMI offers consulting services with respect to asset allocation and asset management to its clients.

PAMI leverages the experience of its analysts and advisory personnel to create proprietary analytical modeling, in order to create efficient client portfolios designed to achieve both short- and long-term investment goals through the asset allocation of a client's Account across "best-of-breed" managers selected for each major asset class recommended to an advisory client.

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## **Investment Philosophy**

The primary investment strategy used on client accounts is strategic asset allocation utilizing a core and satellite approach. Portfolios are globally diversified to control the risk associated with traditional markets.

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time. Each client executes an Asset Allocation Plan that documents their objectives and their desired investment strategy.

The core processes supporting the PAMI Investment Philosophy are:

### **Manager Sourcing**

- Database with access to 1,500 managers with over 5,000 products including balanced, commingled, separate and mutual fund accounts
- Extensive network of advisory, asset management, and industry contacts

### **Quantitative Research**

- Screen 1000+ manager universe to 1-200 managers by analyzing performance statistics, risk analysis, style analysis, market cycle analysis, and attribution statistics
- Present performance statistics measured to index benchmarks and peer universe using rolling timeframes
- Aggregate each universe to find top decile, and when appropriate, top quartile managers over relevant time periods

### **Qualitative Research**

- Review manager narratives and firm/fund information to understand manager investment philosophy
- Conduct due diligence to evaluate experience, strategy, portfolio construction, and risk culture and guidelines
- Thoroughly review offering documentation, back office, independent administration, pricing, and legal counsel

### **Portfolio Construction**

- Focus on "Best-of-Breed" managers within each major asset class

- Design manager allocation to achieve investment goals
- Monitoring
- Ongoing monitoring includes Monthly Updates, Quarterly Conference Calls and Semi-annual visits, at least one of which is on-site
- Continuously update pool of approved managers for additional funds and/or changes in manager structure

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## **Risk of Loss**

All investment programs, however they may be designed to mitigate volatility and risk of loss, have certain risks that are borne by the investor. PAMI's investment approach constantly keeps the risk of loss in mind. Accordingly, Asset Allocation Plans developed by PAMI for a client and the asset managers recommended to execute that Plan in a specific asset class are chosen with the intention to reduce the volatility of a portfolio and the risk of loss to the client.

Investors in securities, whether public or private, face the following investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a

standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.

- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

## **Disciplinary Information**

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### **Legal and Disciplinary**

PAMI and its employees have not been involved in legal or disciplinary events, whether relating to the Firm's operations or to past or present investment client relationships.

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

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### **Financial Industry Activities**

PAMI, in certain select instances, will enter into an agreement with other asset managers and investment advisors to solicit on their behalf.

As stated throughout this Brochure, based on information about a client's financial condition, investment objectives, investment risk profile and other factors that may be relevant to proposed investments by a client, PAMI will advise the client about the efficient allocation of assets in the client's Account to different forms of investments and investment management, including, without limitation, designation of other investment advisers, who will actually invest and reinvest assets on behalf of the client. Among the investment advisors to which the Firm may refer a client account is Fayed Sarofim & Co., Inc. ("Sarofim").

PAMI has agreements with Sarofim and several other investment advisors under which the Firm is paid a referral fee when a client is referred to, and becomes a client of, that investment advisor. The Firm's subsidiary, PCI, has similar arrangements with one or more investment advisors or portfolio managers (as described immediately below). All of these arrangements are fully disclosed in the investment advisory agreement between the specific investment advisor or portfolio manager and the referred PAMI client.

### **Other Financial Industry Activities or Affiliations**

PAMI monitors the performance of its advisory client's Account after the initial Asset Allocation Plan is implemented and, if deemed appropriate, recommends modifications to the Plan. To provide immediate and thorough oversight of a client's portfolio of investments, the Firm considers it essential to have access to the client's Account on a regular basis. Accordingly, PAMI encourages its clients to be customers

of Papamarkou Wellner & Company, Inc. (“PCI”), the Firm’s wholly owned subsidiary. PCI has adopted a commission schedule that is competitive with the commission schedules of other broker-dealers providing the same or similar services to their customers. PAMI does not, however, require that its advisory clients have PCI be their broker of choice and PCI’s clearing agent, JP Morgan Clearing Corp., be their custodian. The advisory client is free to choose.

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### **Affiliations and the Mitigation of Potential Conflicts of Interest**

PCI is a securities broker-dealer and Member of the Financial Industry Regulatory Authority (“FINRA”) and the Securities Investor Protection Corporation (“SIPC”).

A client may be, or elect to become, a customer of PCI. PCI may receive orders for transactions for a client’s account from one or more investment advisors or portfolio managers designated in the Asset Allocation Plan, in which case PCI will earn commissions and/or mark-ups/mark-downs for effecting those transactions. Any such compensation of PCI will be in addition to the advisory fees payable for investment advisory services.

PCI also has non-exclusive distribution agreements with several other managers of hedge funds, private equity firms, and traditional asset portfolios, under which PCI acts as placement agent for the funds and receives remuneration for placing investors in those funds.

If PAMI or PCI receives a referral fee from an investment manager or portfolio manager based on the referral of a client to that investment manager or portfolio manager, or PCI receives compensation based on the purchase of an interest in a hedge fund (or other issuer) by a client, PAMI’s advisory fee for that client will be reduced by the amount of such referral fee or other compensation to the extent that it does not exceed the Firm’s advisory fee.

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

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### **Code of Ethics**

PAMI has adopted a Code of Ethics, pursuant to Rule 204A-1 under the Investment Advisers Act of 1940, as amended, that reflects the Firm’s high standards and commercial honor for the conduct of its business and for the proper performance of its duties with respect to its clients. PAMI’s Code of Ethics requires its personnel to conduct themselves at all times in compliance with the following standards of business conduct:

- The Firm has a strict policy of complying with all applicable laws, rules and regulations, including but not limited to Federal Securities Laws.
- As a fiduciary for its Clients, it is the Firm’s policy to act in the interests of its Clients and adhere to the highest ethical standards in its dealings with Clients.



- The Firm and its Supervised Persons shall deal with all Clients in the utmost good faith and shall disclose to Clients all material facts relating to the advisory relationship.

PAMI will provide a copy of the Code of Ethics to any client or prospective client upon request.

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### **Participation or Interest in Client Transactions**

PAMI and its employees may buy or sell securities in their personal accounts that are also held by clients in their Account. Employees may not trade their own securities ahead of client trades. Employees comply with the provisions of the PAMI *Compliance Manual* and *Code of Ethics*.

In terms of PAMI and PCI (PAMI's wholly owned broker dealer affiliate) facilitating securities transactions in a client's Account, whether by

- placing the client in an affiliated private fund (the PW Portfolio);
- placing the client in a fund managed by another unaffiliated investment advisor; or by
- executing client Account transactions in a brokerage account held at PCI,

please review the PAMI's policy regarding revenue generated by PAMI or PCI for any such transactions as described above in the *Affiliations and the Mitigation of Potential Conflicts of Interest* section.

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### **Personal Trading**

The Chief Compliance Officer of PAMI is Mr. Karl G. Wellner. He or his designee reviews all employee trades no less than quarterly in accordance with the Firm's Code of Ethics; and his own securities transactions are reviewed by another senior manager. The personal trading reviews ensure that the personal trading of employees does not affect the markets, and that clients of the firm receive preferential treatment. Since most employee trades are small trades, the trades do not affect the securities markets.

## **Brokerage Practices**

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### **Selecting Brokerage Firms**

PAMI does not manage the securities portfolios of its advisory clients on a discretionary or any other basis. Accordingly, the Firm is not in a position to select brokerage firms for client securities transactions. As stated throughout this Brochure, PAMI prepares Asset Allocation Plans customized to the suitability, needs and desires of the advisory client, and assists the client to find the best manager or investment advisor to manage the client's Account assets in each selected asset class.

In terms of PAMI's affiliations and arrangements with other industry participants, please refer to the Firm's disclosure information regarding its wholly owned broker

dealer subsidiary, PCI, Member: FINRA/SIPC, and the fact that PAMI encourages its clients to be customers of PCI, a situation that would facilitate PAMI's ability to have immediate and thorough oversight of a client's portfolio of investments and access to a client's Account on a regular basis.

PAMI has stated (above in the *Affiliations and the Mitigation of Potential Conflicts of Interest* section) its policy regarding revenue generated by PAMI or PCI for any transactions conducted on behalf of an advisory client by an outside investment advisor or portfolio manager that provide additional revenue to either firm above and beyond the PAMI advisory fee or the PCI brokerage fees. PAMI believes these policies support the best interests of its advisory clients.

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### **Best Execution and Order Aggregation**

PAMI does not execute brokerage activity on behalf of its advisory clients. Accordingly, best execution review of any client transaction activity or order aggregation policies regarding multiple client orders does not apply to the Firm.

PCI, the broker dealer subsidiary of PAMI, does in fact conduct best execution review of its customer transactions in accordance with regulatory requirements and its own internal written supervisory procedures. In addition, whenever PCI may aggregate multiple customer orders or may provide an average price to a client or clients for multiple transactions conducted in the same security in order to fill a client order or client orders, such activities will be conducted in accordance with FINRA and SEC regulations and the PCI written supervisory procedures.

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### **Soft Dollars**

Neither PAMI nor PCI conduct soft dollar business activities.

## **Review of Accounts**

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### **Periodic Reviews**

PAMI provides Account review services to its clients in the form of

- portfolio manager and investment advisor evaluation and selection
- portfolio manager monitoring; and
- portfolio monitoring

Under the direction of its President and CEO, Mr. Wellner, PAMI selects and monitors its portfolio manager universe through regular, ongoing contact with each portfolio manager regarding portfolio composition and risk levels. Monthly analysis of actual returns versus expectations, peer group and benchmark comparisons, and changes in assets under management by the portfolio managers are all considered. A quarterly conference call is conducted with each portfolio manager in addition to a semi-annual in-person meeting.

PAMI also endeavors to conduct an annual full-scale on-site due diligence meeting at each portfolio manager's office where at all possible. Also under the direction of the

Firm's President and CEO, the Firm provides to clients regular monthly or quarterly portfolio monitoring (depending on the client's needs and preferences). The Firm provides each client with a specific breakdown of assets under management in the form of a regular statement (at whatever frequency desired by the client, but no less than quarterly) that contains both combined asset monitoring of positions held at multiple portfolio managers and performance monitoring that includes the benchmarking of each individual portfolio manager's performance relative to market indices, with portfolio holdings detail.

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### **Nature and Frequency of Regular Reports to Clients**

The nature and frequency of regular reports to clients is highly flexible and tailored to each client's needs and wishes. At least once each calendar quarter PAMI will review the client's Asset Allocation Plan and the results of investments pursuant to that Plan, in the form of a statement, which will entail PowerPoint charting and graphic demonstrations of portfolio asset allocations, asset and portfolio performance, and benchmark comparisons.

Performance will be revealed in terms of

- the performance of assets since the last statement
- performance since the opening of the Account as well as on a current year-to-date basis

PAMI will request from each client in the monthly or quarterly review (and on an annual basis) any changes in the client's personal investment information. Based on this review and all information supplied by the client, the Firm may recommend changes (or continuation) of the Asset Allocation Plan. Subject to the written instructions of the client, the Firm will assist each advisory client with the implementation of any changes in the Plan.

## **Client Referrals and Other Compensation**

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### **Soliciting on Behalf of Other Investment Advisors**

As stated above in the section entitled, *Other Financial Industry Activities and Affiliations*, PAMI has entered into Solicitation Agreements with other investment advisors and portfolio managers, and, PCI has also entered into selling agreements with private managers to act as agent to private placements of securities. Accordingly, PAMI and PCI would receive solicitation fees from those investment advisors and portfolio managers for such referrals and placements.

PAMI believes that it satisfies its obligations to its clients through the implementation of its policy to reduce the advisory fee charged to the client by the amount of any remuneration it receives from an outside fund or manager, on a dollar for dollar basis, by the amount of the referral fees or other compensation received, to the extent that the reduction does not exceed the Firm's advisory fee charged to the client.

## **Custody**

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### **Account Statements**

All client Account assets are held at qualified custodians. This means the custodians provide account statements directly to clients at their address of record at least quarterly.

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### **Performance Reports and Net Worth or Value Statements**

Clients are urged to compare the account statements received directly from their custodians to the report statements provided by PAMI to the clients.

## **Investment Discretion**

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### **Discretionary Authority for Trading**

PAMI does not accept discretionary authority to manage securities accounts on behalf of its clients.

PAMI does not at any time reserve the authority to determine, without obtaining the client's specific consent, the securities to be bought or sold, and the amount of the securities to be bought or sold, in a client Account.

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### **The PW Portfolio LLC**

PAMI is the investment manager for the PW Portfolio, a multi-manager, multi-strategy private fund of funds, which is based upon the proprietary research conducted by the Firm's analysts intent on discovering "best of breed" managers across the various asset classes that can provide both performance and low volatility. As such, PAMI manages that pooled investment vehicle on a discretionary basis. Whether the investors in the PW Portfolio are advisory clients, their purchase of private placement interests in that portfolio is not necessarily linked to their status as advisory clients of PAMI. In other words, there are advisory clients of PAMI invested in the PW Portfolio as well as non-clients of PAMI. The PW Portfolio is open to investors that meet its suitability requirements. Being an advisory client of PAMI is not a requirement for investment into the fund.

## **Voting Client Securities**

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### **Proxy Votes**

PAMI does not vote proxies on securities. Clients are expected to vote their own proxies.

When assistance on voting proxies is requested, PAMI will provide recommendations to the Client. If a conflict of interest exists, it will be disclosed to the client.

## Financial Information

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### Financial Condition

PAMI does not have any financial impairment that will preclude the Firm from meeting contractual commitments to its clients or other business parties.

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

## Business Continuity Plan

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### General

PAMI has a Business Continuity Plan (“BCP”) in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services or key people.

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### Disasters

The BCP significant business disruptions (“SBDs”) such as snow storms, hurricanes, tornados, and flooding, as well as man-made disasters anywhere from a loss of electrical power or use of its office space, to more wide-spread SBDs such as block, neighborhood, city or regional disasters. The Firm maintains backup procedures for its financial and other electronic files, which are backed up daily and archived offsite.

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### Alternate Offices

Alternate offices are identified in the Firm’s BCP to support ongoing operations in the event the main office is unavailable. It is PAMI’s intention to contact all clients within five days of a disaster that dictates moving our office to an alternate location.

## Information Security Program

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### Information Security

PAMI’s BCP and WSP (written supervisory procedures) include an information security program to reduce the risk that your personal and confidential information may be breached. The Firm’s offices, files, and computing networks, including its backup capabilities are password protected and permission to access them is granted by the Firm’s CEO and CCO on a need-to-know basis.

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### Privacy Notice

SEC Regulation S-P requires PAMI to provide a statement to its clients at the beginning of the advisory relationship and once each year regarding the use of client nonpublic financial information.

PAMI and its employees strongly believe in protecting the confidentiality and security of personal information the Firm collects from you.

PAMI may collect nonpublic personal information about you from the following sources:

- Information we receive from you on engagements, applications, and other forms
- Information about your transactions with us, our affiliates, or others; and
- Information we may receive from a consumer reporting agency.

Papamarkou Wellner & Company, Inc. MEMBER: FINRA/SIPC (PCI”), PAMI’s broker dealer affiliate, may disclose nonpublic information about you

- in order to process transactions in any account you may open with PCI
- to respond to inquiries from you or your representative; or,
- to fulfill legal and regulatory requirements

PAMI does not make any disclosures of information to other companies, which may want to sell their products or services to you.

Our employees are instructed to protect the confidentiality of information in the Firm’s possession and are required to comply with our established policies.

PAMI and PCI are firmly committed to protecting your privacy. We will continue to safeguard your privacy and the confidentiality of the information you provide to us.

PAMI is committed to maintaining the confidentiality, integrity and security of the personal information that is entrusted to us.

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

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### Education and Business Standards

PAMI normally requires that persons associated with it whose functions or duties are related to providing investment advice to clients have university training and/or suitable professional experience in investments, economics, or entrepreneurial business activities.

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### Karl G. Wellner, President, CEO and CCO

Karl Wellner joined Papamarkou Wellner Asset Management in 2003 as President and CEO. Mr. Wellner was previously President and CEO of Key Asset Management (USA) Inc. Mr. Wellner is also Founder, partner/shareholder of KAWE Kapital, one of the first members of the Tallinn Stock Exchange in Estonia and largest independent investment management firms in the country. He was previously Director of Business Development at Bank Julius Baer in New York and CEO of JS Products, the U.S. subsidiary of an investment firm within the Volvo Group. Mr. Wellner also served as CEO of Habsburg, Feldman, the U.S. affiliate of the Geneva based fine art auctioneer. Mr. Wellner is a native of Sweden and a graduate of the Stockholm School of Economics. He is fluent in English, Swedish, German, French, Estonian and is proficient in Italian and Russian. Mr. Wellner is Director and Trustee of several philanthropic organizations.

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### Joanne Zerillo, President and CCO of PCI

Joanne Zerillo joined Papamarkou Wellner Asset Management in 1998 and serves as President, Papamarkou Wellner & Co. Inc., a wholly owned subsidiary of Papamarkou Wellner Asset Management. Ms. Zerillo brings over 20 years of advisory and trading experience having begun her career in estate planning with L.F. Rothschild (1986-1988) and Kidder Peabody (1988-1990). She then continued at D.H. Blair (1990-1998) as a senior trader.

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### Thorne L. Perkin, Managing Director

Thorne Perkin joined Papamarkou Wellner Asset Management in 2005 where he serves as a Managing Director. Previously, Mr. Perkin spent five years as a Vice President and Portfolio Manager in the Private Client Group at Credit Suisse (formerly Donaldson, Lufkin, Jenrette) specializing in business development, asset allocation and portfolio construction for high net worth clients, foundations and institutions. Prior to joining DLJ, Thorne was an Associate for Needham & Co, working in Equity Research covering Semiconductor Capital Equipment. He also worked as an Analyst for The Bank of New York in Middle Markets/Small Business Lending. Mr. Perkin is a Trustee of several private philanthropic organizations with a focus on development and finance. Mr. Perkin received his B.A. from Colgate University with honors, focusing on Economics and History.

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**Lorenzo Lorenzotti, Director**

Lorenzo Lorenzotti joined Papamarkou Wellner Asset Management in 2011 where he serves as Director. For the last six years Mr. Lorenzotti was a Managing Director and Partner of ACG Private Equity, a Paris based asset manager where he was responsible for primary investments, developing relationships with GPs, and overseeing Institutional and Family Office capital raising. Prior, Mr. Lorenzotti was a Senior Vice President of Rolaco Services Inc., where he actively managed a portfolio comprised of direct alternative investments across the U.S., Europe and Asia. Previously, Mr. Lorenzotti was Vice President for Lazard Frères & Co. in principal investments responsible for marketing and capital raising. Mr. Lorenzotti began his career as an attorney practicing corporate and securities law in New York. Mr. Lorenzotti was admitted to the New York Bar in 1991, received his JD from Pace Law School, and his BA from Boston University. Mr. Lorenzotti maintains dual Italian and US citizenship and he is fluent in English, Italian, French, and proficient in Spanish.

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**James Prentice, Esq., Director - Manager Research**

James E. Prentice, Vice President, joined Papamarkou Wellner Asset Management in 2007 focusing on market and manager research, tactical asset allocation and portfolio construction. Prior to joining Papamarkou, James attended New York Law School where he received a J.D. with a focus in corporate, tax and trade law. In 2002 and 2003 he worked as an analyst for Citigroup Venture Capital, where he focused on industrials and new deal originations. James graduated with a Bachelor of Arts degree from Georgetown University in 2001. He is a member of the New York Bar.

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**Nicolas E. Sitinas, Director – Investment Research**

Nicolas Sitinas joined Papamarkou Wellner Asset Management in 2012 where he serves as Director of Investment Research. Mr. Sitinas has been working on Wall Street since 1996, starting out as an Associate Equity Analyst with Lazard Frères & Co. LLC, covering shipping, transportation, cruise and defense companies. Mr. Sitinas then joined Shikar Asset Management as an equity research analyst and assistant portfolio manager. While there, Mr. Sitinas covered a wide variety of sectors and companies, with a concentration on media and entertainment. In 2001, Mr. Sitinas founded NES Capital Management LLC which successfully managed two equity oriented hedge funds, compounding capital at 8.9% annually since inception. Mr. Sitinas graduated from Tufts University, with a BSc in Computer Science, in 1990 and from Columbia Business School, with an MBA in Finance, in 1996.

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**James A. Figg, III, Vice President**

Jamie Figg recently joined Papamarkou Wellner Asset Management as a Vice President. Mr. Figg's primary focus is to develop new client business. Mr. Figg began his career in the field of Wealth Management, Sales and Marketing in 1982, having spent 20 years developing Private Banking and Asset Management business for Schroders, Wertheim & Co., Rockefeller & Co. and Mellon Bank. Mr. Figg transferred those skills to another successful 10 year career in high-end Manhattan



real estate sales and luxury condominium development with Stribling & Associates, Corcoran Sunshine, Elad Properties, and Brown Harris Stevens. Mr. Figg graduated from the Hotchkiss School and holds a Bachelor of Arts degree from Lake Forest College in Lake Forest, Illinois. Mr. Figg has served as Trustee on several not-for-profit foundations involved in the arts, as well as, land and architectural preservation in New York State.

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**Brendan Hurley, Associate**

Brendan Hurley joined Papamarkou Wellner Asset Management in 2011 where he serves as Associate. Previously, Mr. Hurley was a financial advisor at Olympia Capital Markets Group where he managed equity portfolios for high-net worth individuals. Mr. Hurley was responsible for market evaluation, trading strategy development, and capital introduction. Mr. Hurley holds two Regulatory licenses, the Series 7 and 63. Mr. Hurley graduated with a Bachelor of Arts degree from Colgate University.