

# Lexington Wealth Management, Inc.

## Part 2A of Form ADV

### The Brochure

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This brochure provides information about the qualifications and business practices of Lexington Wealth Management, Inc. (“LWM” or the “Company”). If you have any questions about the contents of this brochure, please contact us at 781-860-7745. 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 LWM is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Material Changes

LWM's most recent update to Part 2 of Form ADV was made in March 2012. LWM's business activities have not changed materially since the time of that update.

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## Advisory Business

Lexington Wealth Management Inc. was originally founded under the name Lexington Advisors in 1997. In January 1998, the name of the firm was officially changed to Lexington Wealth Management Inc. It is owned by Michael Tucci and Kristine Porcaro. As of January 1, 2013, the Company managed \$520 million on a discretionary basis on behalf of approximately 360 clients.

The Company provides Investment Supervisory Services, defined as giving continuous advice to a client or making investments for a client based on the individual needs of the client. LWM provides this service to individuals, corporations, pension and profit sharing plans, trusts, estates and charitable organizations.

LWM analyzes the client's financial investments, records and other related information, reviews the client's responses regarding the client's financial circumstances and obligations, and conducts personal interviews with the client. Issues addressed include, but are not limited to, the following: the client's short and long term investment and financial goals; the client's risk tolerance, a client's financial situation with regard to taxation, insurance and investment allocation issues. Ultimately, LWM develops a client's personal investment policy and creates and manages a portfolio based on that policy.

Based upon this LWM will then search for and recommend to client's mutual funds, hedge funds, and/or other investment managers within each asset class that meet the client's individual requirements. Once the appropriate portfolio has been determined and approved by the client, the portfolio will be monitored by LWM. LWM will meet with the client on a regular basis, or as determined by the client, to review the account. When necessary and appropriate, subsequent modifications to a client's asset allocation or the

specific investment managers initially chosen by the clients are recommended by LWM in accordance with the investment goals and objectives established by the client. Each client will be provided the opportunity to place reasonable restrictions on the types of investments that may be recommended by LWM.

When LWM believes that a portion of a client's portfolio may be better managed by an independent investment adviser(s), LWM will perform a management search of various independent registered investment advisers on behalf of a client. Based upon the initial allocation determination, LWM will search for and recommend to the client appropriate asset managers within each asset class. The vehicle to access the independent manager may be a private investment fund (e.g., hedge fund), separately managed account or mutual fund.

Among the assets to which LWM provides its continuous and regular investment supervisory or management services are assets held by clients in their, outside accounts such as retirement accounts, 401K accounts or 529 accounts with various mutual fund companies. Outside accounts are accounts where LWM is not listed as the investment advisor of record. Because LWM may be responsible for effecting the transactions in these accounts, it will request the client's user name and password that permits online access to the account. Appropriate physical and procedural safeguards have been adopted by LWM to control access to the user names and passwords obtained by LWM.

If LWM believes that a particular Investment Manager is performing inadequately, or if LWM believes that a different Investment Manager is more suitable for a client's particular needs, then LWM may suggest that the client contract with a different Investment Manager. Under this scenario, LWM will recommend a new Investment Manager, move assets to this manager and then monitor that Investment Manager's performance. Neither LWM nor any of its related persons receive any form of compensation from any recommended Investment Manager. No manager will be recommended to a client unless that Investment Manager is properly registered or is exempt from registration with the SEC or the client's state of residence. Clients should refer to the Investment Manager's disclosure documents (e.g., Form ADV Part II, prospectus, or private offering memorandum) for a full description of the services offered.

LWM will assist the client in determining the client's needs and risk tolerance through the use of Monte Carlo analysis and asset optimization recommendations for asset allocation supplied primarily by Fortigent.

LWM will monitor the performance of each investment manager selected by the client and will issue reports generated by Fortigent to the client on a quarterly basis. Additional information about asset managers, investment strategies, advisory fees and other pertinent information is available and provided in the Form ADV Part II or other disclosure brochure of the independent investment managers. Fortigent may assist LWM in this process. LWM will monitor the performance of each manager selected by the client and will issue reports generated by Fortigent to the client on a quarterly basis.

LWM will manage advisory accounts on a discretionary or non-discretionary basis. Account supervision is guided by the stated objectives of the client (i.e., maximum capital appreciation, growth, income, or growth and income). Within its non-discretionary capacity, LWM may, without specific approval by the client, purchase or sell securities to meet the cash needs of the client. These purchases and sells will be executed in a manner such that the resulting allocations will generally match the allocation in the account prior to the purchase or sale.

## **Fees and Compensation**

### **FEE SCHEDULE**

<u>Assets Under Advisement/Management</u>	<u>Fee (basis points)</u>
Any accounts under \$2,000,000 may be charged up to	1.50%
First \$2,000,000 to \$5,000,000	1.00%
Next - \$5,000,000	0.75%
Next - \$15,000,000	0.50%
Next - \$25,000,000	0.40%
Thereafter	0.30%

**NOTES:**

The minimum quarterly fee for Lexington's Investment Management Services is \$5000 regardless of the market value of the Account at the beginning of the calendar quarter. Advisory fees are charged annually debited one fourth quarterly, based on assets we advise on, including outside accounts. Fees may be reduced or waived, at the discretion of the adviser. Transaction, Money Management, Mutual Funds, Reporting and Custodial Fees additional.

Financial Planning Services

Basic Plan-Net Worth, Cash Flow	\$3,000.00
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Additional Add-on Planning Services

Education Goals	\$1,000.00
Insurance Planning	\$1,000.00
Retirement Planning	\$1,000.00
Investment Planning	\$1,000.00
Long Term Care Plan	\$1,000.00
Estate Planning with Referral	\$1,000.00

Miscellaneous Fees

<u>Service</u>	<u>Fee</u>
Portfolio Analysis	\$2,000.00
Investment Policy Statement	\$2,000.00
Business Planning	\$5,000.00

Clients desiring financial planning on an annual basis will be charged 50% of the total plan price per annum. Clients will sign a Financial Planning agreement. Clients are under no obligation to use LWM to implement their comprehensive Financial Plan. In some cases, clients would pay LWM a negotiated flat fee or an hourly fee of \$250.00.

LWM will receive no account start-up, closing or penalty fees. The fee begins from the date the Client Agreement is signed and will be prorated for the number of days remaining in the quarter.

For purposes of calculating fees, the assets of all client accounts including outside accounts will be aggregated to determine the overall fee percentage.

Clients are generally fee'd in advance at the beginning of each calendar quarter based upon the quarter-end values (market value or fair market value in the absence of market value), of the client's account during the previous quarter. In some circumstances, fees may be waived on certain assets (e.g. legacy securities),

Clients utilizing the services of Fortigent with an account size below the stated minimum will be billed an

additional fee by LWM to reimburse Fortigent for the fees charged to it by Fortigent. This fee is in addition to fees charged to clients by LWM for the advisory services discussed above. The maximum annual fee payable by a client to LWM to reimburse it for Fortigent's services is \$600.00 per account. Clients are not obligated to use Fortigent's services as a condition of obtaining LWM's investment supervisory services. In certain cases, LWM may discount or waive the Fortigent cost that would otherwise be reimbursable to LWM by the client.

A minimum of \$2,000,000 under management is recommended for LWM services. Exceptions to the minimum account size may be made at the sole discretion of LWM.

### **GENERAL INFORMATION ON FEES:**

In certain unusual circumstances, fees and account minimums may be negotiable.

The fees charged by LWM will never be based on the capital gains or the capital appreciation of any funds or any part of any funds of any client except as described above.

A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days of written notice. Upon termination of any account, any prepaid, unearned fees may be refunded upon request.

All fees paid to LWM for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds, hedge funds, and Investment Managers to their investors. These fees and expenses are described in the applicable disclosure documents. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If a mutual fund also imposes sales charges, a client may pay an initial or deferred sales charge.

A client could invest with Investment Managers directly, without the services of LWM. In that case, the client would not receive the services provided by LWM which are designed, among other things, to assist the client in determining which investments are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the total expenses to invest with the Investment Managers and the fees charged by LWM to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

LWM does not independently value any private securities held in client accounts. The quarterly financial information provided by the private funds themselves will be used as the basis for client reporting and fee billing (where a client pays an asset-based fee). This valuation is determined independently of LWM.

For marketable securities, the prices provided by custodians are used for client reporting and fee billing.

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

The Company does not charge any performance fees.

### **Types of Clients**

LWM recommends a minimum account size of \$2 million for advisory clients. As stated in the Advisory Business section, exceptions to the minimum account size may be made at the sole discretion of LWM.

# Methods of Analysis, Investment Strategies and Risk of Loss

## TYPES OF INVESTMENTS

LWM uses asset allocation recommendations provided by Fortigent along with LWM's investment committee. The specific types of investments used within these classes are determined by the independent investment managers recommended by LWM.

LWM advises clients on investments in private investment funds which may be in limited partnership, Limited Liability Company, business trust, corporate or other form.

Fortigent is owned by LPL. Fortigent may serve as a discretionary investment adviser to private funds, which are unregistered investment companies that are generally organized as limited liability companies sponsored by Fortigent.

In providing advisory services to each private fund, Fortigent directs and manages the investment and reinvestment of each private fund's assets, and provides reports to Investors (through the private fund's administrator). Fortigent manages the assets of each private fund in accordance with the terms of the governing documents applicable to each private fund.

Currently, Fortigent provides advisory services to the following private funds sponsored by Fortigent:

- Directional Quantitative Equity Fund, LLC is a feeder fund that invests substantially all of its assets in the Renaissance Institutional Equities Fund LLC ("RIEF"). RIEF is designed to have relatively low volatility, a relatively low beta and average holding times in excess of one year. RIEF's investment universe consists of U.S. equities only, but RIEF may trade stock index futures to reduce risk.

- Discretionary Managed Futures Fund, LLC is a feeder fund that invests substantially all of its assets in the Blenheim Fund, LLC ("Blenheim"). Blenheim seeks substantial capital appreciation through consistency of performance, control of volatility through implementation of risk control parameters and trading strategies, and diversification through investment in a wide range of markets. Blenheim pursues those objectives by trading futures, physicals, options and forward contracts in, *inter alia*, the global fixed income, currency, stock index, and energy and commodities markets. Blenheim's strategy may also include other investment instruments, including transactions in securities, fixed income instruments and swaps.

- Global-Event Driven Fund, LLC is a feeder fund that invests substantially all of its assets in Owl Creek II, L.P. ("Owl Creek"). Owl Creek's investment objective is to seek above average returns through an opportunistic event-driven value strategy with a focus on capital preservation. Owl Creek has the ability to invest in both long/short distressed debt and long/short value equity of both U.S. and non-U.S. issuers.

- Ironwood Partners Access Fund, LLC is a feeder fund that invests substantially all of its assets in Ironwood Partners L.P. ("Ironwood Partners"). Ironwood Partners' investment objective is to seek substantial capital appreciation with limited variability of returns. Ironwood Partners allocates capital among a number of independent investment managers acting through pooled entities such as limited partnerships, limited liability companies and offshore corporations or through managed accounts, the majority of which employ —relative value and arbitrage strategies.

- The Small Cap Long Short Fund, LLC is a feeder fund that invests substantially all of its assets in Chilton Small Cap Partners, L.P. ("Chilton"). Chilton's investment objective is to produce superior investment returns to its benchmarks throughout various market cycles, primarily by investing in the

securities of smaller capitalization companies with strong, experienced management teams and significant revenue and earnings potential. Chilton may utilize various defensive strategies, including short selling and other hedging techniques, to protect and enhance the fund's capital.

- The Access Marathon Fund, LLC is a feeder fund that invests substantially all of its assets in the Marathon Special Opportunity Fund, L.P. ("Marathon"). Marathon's investment objective is to generate absolute total returns through investments in event-driven and distressed equity and debt securities. Marathon's investments may be for short-term investment horizons or multi-year long-term investment horizons, and may be domiciled within any industry group in the U.S., Europe, Asia or in any developed country or emerging market. Marathon's investment strategy allows it to take long and short positions in bonds, stocks or derivative positions in single names or indices that allow for profit in the event of a market, industry or company event or for portfolio hedging purposes

Fortigent LLC, as manager of the six funds, receives an administrative fee for managing these funds. As a result of the relationship between CWA and Fortigent LLC, Fortigent has an interest in recommending to LWM that its clients should invest in these funds. Investors must meet the definition of "accredited investor" in order to invest. LWM receives NO compensation, nor does it receive any offset in fees payable to CWA for placing clients in these funds.

## **METHODS OF ANALYSIS**

LWM uses asset optimization recommendations to determine appropriate asset classes for client investment. Specific securities analysis methods are determined by the recommended money managers.

## **SOURCES OF INFORMATION**

LWM will use published databases of mutual funds and investment manager performance. LWM does not independently audit or verify the performance figures reported by managers which appear in these databases.

## **INVESTMENT STRATEGIES**

LWM recommends various investment strategies when providing asset allocation recommendations to clients. The recommended strategies are based upon a client's goals and objectives. LWM will evaluate various investment alternatives, i.e. various asset allocations for investment with Investment Managers, to form a basis for the client in determining the strategies needed to achieve the client's investment goals and objectives.

## **Disciplinary Information**

LWM and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the company or its personnel.

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

Charles Schwab & Co., Inc. ("Schwab") has provided a loan to LWM to assist its business operations and growth plans, and the loan is guaranteed by Michael S. Tucci and Kristine M. Porcaro, principal(s) of LWM. The terms of the loan require that management fees to LWM be paid to an account at Schwab for deduction of interest and principal payments on the loan before LWM may access such management fees. The loan agreement contains various representations and covenants by LWM, including, among others,

that LWM will maintain at least **\$300,000,000** in end client net assets held at Schwab (“Assets Under Management at Schwab”), and that LWM will comply with all applicable laws, regulations, and agreements, and obtain all necessary licenses, consents and permits. Upon the occurrence and during the continuance of an event of default under the loan agreement, Schwab may terminate and/or accelerate the loan, which may have a material adverse effect on the LWM's ability to perform services for you.

Some of the products, services and other benefits provided by Schwab, including the loan noted above, benefit LWM and may not benefit LWM's client accounts. LWM's recommendation or requirement that a client place assets in Schwab's custody may be based in part on benefits Schwab provides to LWM, or LWM's agreement to maintain certain Assets Under Management at Schwab, and not solely on the nature, cost or quality of custody and execution services provided by Schwab.

LWM places trades for its clients' accounts subject to its duty to seek best execution and its other fiduciary duties. LWM may use broker-dealers other than Schwab to execute trades for client accounts maintained at Schwab, but this practice may result in additional costs to clients so that Advisor is more likely to place trades through Schwab rather than other broker-dealers. Schwab's execution quality may be different than other broker-dealers.

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

LWM or individuals associated with it may buy or sell securities identical to those recommended to clients by it or the recommended Investment Managers.

As this situation may represent a conflict of interest, LWM has established a Code of Ethics, a copy of which is available upon request, and instituted the following restrictions in order to ensure its fiduciary responsibilities:

- 1) A director, officer or employee of LWM shall not buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry. No person or LWM shall prefer his or her own interest to that of the advisory client.
- 2) LWM maintains a list of all securities holdings for itself, and anyone associated with this advisory practice. These holdings are reviewed on a regular basis by the principal executive officer.
- 3) LWM emphasizes the unrestricted right of the client to decline to implement any advice rendered by LWM.
- 4) LWM requires that all personnel must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
- 5) Any individual not in observance of the above may be subject to termination.

Certain related persons of LWM manage their own personal investments and in that capacity are investors, partners or members in various private investment funds that invest in securities or real estate.



Officers and/or Directors may act as managers of outside limited partnerships, offering opportunities in private investments. It is LWM's policy for the CCO to review and provide written approval for all employees' participation in outside organizations, to minimize potential conflicts of interest.

## **Brokerage Practices**

While LWM does not have brokerage discretion over client accounts, at the client's request, LWM may recommend broker-dealers to execute transactions for the client's account. LWM, in recommending broker-dealers to execute portfolio transactions for the client's account, may consider the quality and reliability of the brokerage services, as well as research and investment information and other services provided by the brokers or dealers. Commission rates, being a component of price, are one factor considered by LWM together with other factors. In making broker-dealer recommendations, LWM is not obligated to seek in advance competitive bidding for the most favorable commission rate applicable to any particular transaction for the client's account or recommend any broker or dealer on the basis of its purported posted commission rate. Accordingly, recommended brokers or dealers may charge commission rates in excess of the amounts another broker or dealer would have charged for effecting transactions when LWM has determined in good faith that the broker's or dealer's commission rates generally are reasonable in relation to the value of the brokerage and/or research provided by the broker or dealer. If the client selects its own broker or dealer to execute transactions for the client's account, the client may forfeit more favorable commission rates and execution rates and execution than would be the case if it utilized the broker dealer or dealer recommended by LWM. LWM's recommendation of broker-dealers will be consistent with its obligation to seek best execution.

Clients may have a pre-established relationship with a broker and they will instruct LWM to execute all transactions through that broker. In directing the use of a particular broker or dealer, clients may lose out on a certain benefits that may otherwise be obtained and it should be understood the LWM will not have authority to obtain volume discounts. Consequently, clients directing the use of a particular broker may not receive best execution.

LWM attempts to negotiate the commission rate that a client is to pay to the broker-dealer that he or she has directed LWM to use. The client either approves the commission rate negotiated by LWM or separately determines the commission rate pursuant to his or her own efforts. In either procedure, the authority to negotiate and establish the rate is solely maintained by the client. A disparity in commission charges may exist between the commissions charged to their clients.

## **Review of Accounts**

Investment Supervisory Service accounts and the performance of recommended managers are reviewed quarterly by the investment committee and Fortigent. Triggering factors include material changes in a client's financial situation, as well as political and economic events.

Investment Committee includes: Michael S. Tucci, CPA, CIMA – President; Kristine M. Porcaro – Co Founder; Edward Papier, CFP, CIMA – Managing Director, New York Office; Kim Kenly; and Glenn E. Frank, CPA/PFS, CFP – Director of Tax Investment Strategy, collectively provide reviews to all client accounts.

All clients receive a quarterly report detailing the client's positions, gains and losses, dividends, and the performance of all managers used by the client. Monthly statements are also delivered directly to clients by their respective custodians.

## **Client Referrals and Other Compensation**

LWM has a client referral fee program whereby a fee, based on a percentage of the investment management fee received by LWM, is paid to employees, consultants, and unaffiliated persons of LWM. Referral fees are paid in strict accordance with Rule 206(4)-3 under the Investment Advisers Act.

## **Custody**

All clients' accounts are held in custody by unaffiliated broker/dealers or banks, but LWM can access many clients' accounts through its ability to debit advisory fees. For this reason LWM is considered to have custody of client assets. Account custodians send statements directly to the account owners on at least a quarterly basis. Clients should carefully review these statements, and should compare these statements to any account information provided by LWM.

## **Investment Discretion**

Each Investment Manager that LWM recommends to its clients generally will have investment discretion over that portion of the client's accounts managed by the particular investment manager. The client will have a direct contractual relationship with each such Investment Manager and should receive disclosures from each such Investment Manager of its practices, including brokerage, aggregation of orders, and use by the Investment Manager of "soft dollars" to obtain research products and services from broker-dealers based on customer orders placed through the brokers. The designation by a client of a particular broker for execution of client account transactions (particularly if it differs from the brokers used by that Investment Manager for execution of most of the Investment Manager's other clients' accounts) may affect the commission rates and the method and pricing of execution of the client's account transactions for the portion of the client's portfolio managed by a particular Investment Manager. The client is urged to review each Investment Manager's disclosures on brokerage practices in deciding whether to direct the Investment Manager to use a particular broker-dealer for execution of the client's portfolio transactions.

LWM occasionally executes over-the-counter ("OTC") securities transactions on an agency basis. Thus, clients may incur two transaction costs for a single trade: a commission paid to the executing broker-dealer plus any mark-up or mark-down charged by the market-making broker-dealer, which is included in the offer or bid price of the securities purchased or sold. LWM would execute such transactions on a principal basis if it believed that doing so would be favorable compared to executing on an agency basis, when considering all factors of the trade.

LWM receives from custodians and broker-dealers duplicate client confirmations and bundled duplicate statements and access to an electronic communication network for client order entry and account information.

Clients in need of brokerage and custodial services will have Charles Schwab & Company recommended to them. As part of the SI program, LWM receives benefits that it would not receive if it did not offer investment advice.

## **Voting Client Securities**

LWM will not exercise proxy voting authority over client securities. The obligation to vote client proxies shall at all times rest with client. Client shall in no way be precluded from contacting LWM for advice or

information about a particular proxy vote. However, LWM shall not be deemed to have proxy voting authority solely as a result of providing such advice to client.

Should LWM inadvertently receive proxy information for a security held in client's account, then LWM will immediately forward such information on to the client, but will not take any further action with respect to the voting of such proxy. Upon termination of its agreement with the client, LWM shall make a good faith and reasonable attempt to forward proxy information inadvertently received by LWM on behalf of client to the forwarding address provided by client to LWM.

## **Financial Information**

LWM has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.