

**Henley & Company Wealth Management, LLC**

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**7/30/2012**

**FORM ADV PART 2A**

**BROCHURE**

**This brochure provides information about the qualifications and business practices of Henley & Company Wealth Management, LLC. If you have any questions about the contents of this brochure, please contact us at (516) 794-5520. 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 Henley & Company Wealth Management, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Henley & Company Wealth Management, LLC is 144884.**

**Henley & Company Wealth Management, LLC is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.**

## Item 2 Material Changes

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Generally, Henley & Company Wealth Management LLC will notify clients of material changes on an annual basis. However, where we determine that an interim notification is either meaningful or required, we will notify our clients promptly. In either case, we will notify our clients in a separate document.

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## Item 4 Advisory Business

Henley & Company Wealth Management, LLC is a registered investment adviser primarily based in Uniondale, New York. We also maintain a branch office in New York, NY. Our firm is organized as a limited liability company under the laws of the State of New York and we have been providing investment advisory services since 2007. Francis Patrick Gemino is our principal owner.

The following paragraphs describe our services and fees. Please refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to your individual needs. As used in this brochure, the words "we", "our" and "us" refer to Henley & Company Wealth Management, LLC and the words "you", "your" and "client" refer to you as either a client or prospective client of our firm. Also, you may see the term Associated Person or Investment Adviser Representative throughout this brochure. As used in this brochure, our Associated Persons or Investment Adviser Representatives are our firm's officers, employees, and all individuals providing investment advice on behalf of our firm.

We provide our clients with a wide range of investment advisory services, including discretionary and non-discretionary portfolio management services, financial planning and consulting, pension consulting services, and the Henley Managed Solutions Program, a wrap fee program. Our portfolio management accounts are managed directly by investment adviser representatives of our firm and in our wrap fee program, services are provided via a platform whereby Lockwood Capital Management serves as portfolio manager. Please refer to the description of each investment advisory service listed below for information on how we tailor our advisory services based on an analysis of your financial situation and individualized needs.

### **Portfolio Management Services**

We provide discretionary and non-discretionary portfolio management services where the investment advice provided is tailored to meet your needs and investment objectives. At the inception of the relationship, we will gather relevant information from you such as your risk tolerance, investment objectives and financial profile and will recommend an initial portfolio to you. Once the portfolio is constructed, we monitor your account on an ongoing basis and re-balance your portfolio as changes in market conditions and your circumstances may require.

If you participate in our discretionary portfolio management services, we require you to grant our firm discretionary authority to manage your account. Discretionary authorization will allow our firm to determine the specific securities, and the amount of securities, to be purchased or sold for your account without your approval prior to each transaction. Discretionary authority is typically granted by the investment advisory agreement you sign with our firm, a power of attorney, or trading authorization forms. You may limit our discretionary authority (for example, limiting the types of securities that can be purchased for your account) by providing our firm with your restrictions and guidelines in writing. If you enter into a non-discretionary arrangement with our firm, we must obtain your approval prior to executing any transactions on behalf of your account. You have an unrestricted right to decline to implement any advice provided by our firm on a non-discretionary basis.

Portfolio management fees are negotiable and are set by the Investment Adviser Representative servicing your account. The agreed upon fee schedule will be set forth in the agreement for services. On an annualized basis, our fees for portfolio management services are based on the following fee schedules which will depend on your IAR:

**Portfolio Size Annualized Fee\*\***

Up to \$1,000,000 1.50%

Over \$1,000,000 1.00%

**Portfolio Size Annualized Fee\*\***

First \$200,000 2.00%

Next \$300,000 1.75%

Over \$500,000 1.25%

\*\* We may also charge certain clients a negotiable annual fee of 1.25% of the assets under management. Certain clients may have different fees than those stated above. Depending on the relationship, certain clients may pay ticket charges imposed by Pershing, LLC, the account custodian, for transactions in accounts while ticket charges are not imposed on other clients.

Our fee is billed and payable quarterly in advance based on the market value of your account on the last day of the previous quarter. Fees will be assessed pro rata in the event the portfolio management agreement is executed at any time other than the first day of a calendar quarter, which means that the advisory fee is payable in proportion to the number of days in the quarter for which you are a client.

We may allow accounts of members of the same household to be aggregated for purposes of meeting the minimum account size or fee breakpoints. We may allow such aggregation, for example, where we service accounts on behalf of minor children of current clients, individual and joint accounts for a spouse, and other types of related accounts.

We will deduct our fee directly from your account through the qualified custodian holding your funds and securities. We will deduct our advisory fee only when you have given our firm written authorization permitting the fees to be paid directly from your account. Further, the qualified custodian will deliver an account statement to you at least quarterly. These account statements will show all disbursements from your account. You should review all statements for accuracy.

Either party, upon 30-days' written notice to the other, may terminate the management agreement. The management fee will be pro-rated for the quarter in which the cancellation notice was given. If you have pre-paid advisory fees that we have not yet earned, you will receive a prorated refund of those fees.

Upon termination, you become responsible for monitoring your own asset and our firm has no further obligation to act upon or to provide advice with respect to those assets.

**Financial Planning Services**

We provide broad based, modular and consultative financial planning services for a fee. Financial planning will typically involve providing a variety of advisory services to clients regarding the management of their financial resources based upon an analysis of their individual needs. The process typically begins with a complimentary introduction meeting during which the various services we provide are explained. If you decide to engage us for financial planning services, we will collect pertinent information about your personal and financial circumstances and objectives. As required, we will conduct follow-up interviews for the purpose of reviewing and/or collecting additional financial data. Once such information has been reviewed and analyzed, a written financial plan designed to achieve your stated financial goals and objectives will be produced and presented to you. The primary objective of this process is to allow us to assist you in developing a strategy for the successful management of income, assets and liabilities in meeting your financial goals and objectives.

In some circumstances, clients may only require advice on a single aspect of the management of their financial resources. For these clients, we offer financial plans in a modular format and/or general consulting services that address only those specific areas of interest or concern.

Financial plans are based on your financial situation at the time we present the plan to you, and on the financial information you provide to our firm. In providing the contracted services, we are not required to verify any information we receive from you or from your other professionals (e.g. attorney, accountant, etc.) and we are expressly authorized to rely on the information you provide. You must promptly notify our firm if your financial situation, goals, objectives, or needs change.

We utilize the following financial planning fee schedule, subject to negotiation, depending on the nature, complexity, and time involved in providing the requested services.

- **Fixed Fees** : After the initial consultation, if you choose to utilize our financial planning services, we will charge a negotiable fixed fee ranging between \$1000 and \$10,000 or an hourly fee of \$250. Fifty percent of the fee shall be due and payable in advance with the remaining portion due upon completion of the services rendered. In certain circumstance, the fees may exceed the initial fee quoted, in which case, we will obtain your approval before performing additional services.
- **Annual consulting fee** : After the initial consultation, if you choose to utilize our financial planning services on a continuous basis, we will charge a negotiable annual consulting fee ranging between \$1000 and \$10,000, and which fee shall be due and payable on a monthly basis, in arrears or in advance, as agreed to with you in advance.
- **Hourly Fees for Consulting Services:** If you choose to utilize our financial planning/consulting service on limited subjects, we will charge you based upon an hourly rate of \$250, which shall be due and payable upon completion of the services rendered, or as invoiced.

In implementing financial planning recommendations, we may recommend our Associated Persons services in their separate capacity as licensed insurance agents and/or registered representatives of Henley & Company, LLC, our affiliated broker-dealer. A conflict of interest exists when we make such recommendations. You are under no obligation to act on our financial planning recommendations. Should you choose to act on any of our recommendations, you are not obligated to implement the recommendations through any of our other investment advisory services or any Associated Persons of our firm. Moreover, you may act on our recommendations by placing securities transactions with the brokerage firm of your choice. In the event you elect to implement the financial plan by purchasing insurance or securities products through our Associated Persons, we may, in our sole discretion, waive or offset a portion of the financial planning fee. Refer to the *Fees and Compensation* section below for additional disclosures on this topic.

Either party, upon written notice to the other, may terminate the financial planning agreement. In the event of termination, you will receive a pro rata refund or will be charged for the portion of work we have performed through the date of termination. At no time will we charge clients more than \$500 and six or more months in advance.

### **Pension Consulting Services**

We may also provide pension consulting services to qualified plans and participants. Such advice may include retirement planning advice to plan participants, employee education, asset allocation advice to participants and the plan, periodic monitoring and reporting of participant and plan investments and recommendation of third party administrators. As the client, you agree to furnish us complete copies of all documents that establish and govern the plan and evidencing your authority to retain our firm for

investment advisory services. Moreover, you agree to promptly furnish us any amendments to the plan, and you agree that, if any amendment affects our rights or obligations, such amendment shall be binding on us only when received by us, in writing. Our fee, payable quarterly in advance, is equal to 1.00% of the value of plan assets. Clients will pay the fee directly to our firm.

Either party may terminate the pension consulting agreement upon 30-days' written notice to the other party. If you have pre-paid advisory fees that we have not yet earned, you will receive a prorated refund of those fees.

Generally, accounts to whom we provide pension consulting services are regulated under the Employee Retirement Income Securities Act ("ERISA"). In all cases, you must make the ultimate decision as to what investment option to select. You are at all times free to seek independent advice about the appropriateness of any recommended services.

### **Henley Managed Solutions Program**

We offer the Henley Managed Solutions Program (the "Program") which is a wrap fee program whereby all charges to the client are wrapped into one single fee. We offer the following two options under the Program:

### **Lockwood Investment Strategies("LIS")**

LIS is a discretionary, multi-discipline managed account product housed in a single portfolio with five core models. The five (5) core models span the risk/return spectrum from current income model to growth model within the context of a diversified portfolio. Clients may also choose from four (4) additional models which include exposure to non-traditional asset classes. Lockwood Capital Management (LCM), serving as the Portfolio Manager, determines asset allocation and selects both Sub-Managers and specific investment vehicles for each investment style based on its proprietary modeling strategies, as well as its macroeconomic outlook and investment discipline.

### **Lockwood Asset Allocation Portfolios("LAAP")**

LAAP is a discretionary, multi-discipline managed account product housed in a single portfolio. LCM, serving as the Portfolio Manager, determines asset allocation strategy and selects investment vehicles for each investment style component of the portfolios, based upon proprietary modeling strategies, macroeconomic outlook and investment research discipline.

The services offered under the Program are discussed in more detail in the Wrap Fee Brochure (the "Brochure"), a copy of which will be presented to you if you are a prospective Program participant. The terms and conditions for your participation in the Program are also discussed in detail in the Brochure. All prospective Program participants should read this disclosure statement and the Brochure carefully, and are encouraged to ask any questions that they may have, prior to participation in the Program.

As indicated in the Wrap Fee Brochure, the overall cost of participation in the Program may cost more or less than purchasing such services separately. Also, the Program fee we charge for participation in the Program may be higher or lower than those charged by other sponsors of comparable wrap fee programs.

### **Types of Investments**

We do not primarily offer advice on one type of security over another and offer advice on a broad range of investments. You may request that we refrain from investing in particular securities or certain types of securities. You must provide these restrictions to our firm in writing.

## **Assets Under Management**

As of January 26, 2012, we manage \$35,907,468 in client assets on a discretionary basis and \$670,388 on a non-discretionary basis.

## **Item 5 Fees and Compensation**

Refer to the *Advisory Business* section in this Brochure for information on our advisory fees, fee deduction arrangements, and refund policy according to each service we offer.

### **Additional Fees and Expenses**

As part of our investment advisory services to you, we may invest, or recommend that you invest, in mutual funds and exchange traded funds. The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. You will also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through whom your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. Refer to the *Brokerage Practices* section below for additional disclosures.

We may trade client accounts on margin. Each client must sign a separate margin agreement *before* margin is extended to that client account. Fees for advice and execution on these securities are based on the total asset value of the account, which includes the value of the securities purchased on margin. While a negative amount may show on a client's statement for the margined security as the result of a lower net market value, the amount of the fee is based on the absolute market value. This could create a conflict of interest where we may have an incentive to encourage the use of margin to create a higher market value and therefore receive a higher fee. The use of margin may also result in interest charges in addition to all other fees and expenses associated with the security involved.

### **Compensation for the Sale of Securities or Other Investment Products**

Persons providing investment advice on behalf of our firm are also registered representatives with Henley & Company, LLC, an affiliated securities broker-dealer, and a member of FINRA and the Securities Investor Protection Corporation. As such, these individuals are licensed to sell securities and insurance related products for *separate* commission based compensation, including 12b-1 fees for the sale of investment company products. This practice presents a conflict of interest because these persons may have an incentive to effect securities transactions for the purpose of generating commissions rather than solely based on your needs. You are under no obligation, contractually or otherwise, to purchase securities products through any person affiliated with our firm. We have adopted a policy that clients will not be charged brokerage commissions on transactions in advisory accounts with the exception of initial public/syndicate offerings where the commission is built into the offering price by the issuer/syndicate.

Executive officers and other Associated Persons providing investment advice on behalf of our firm are licensed as independent insurance agents. These persons will earn commission-based compensation for selling insurance products. Insurance commissions earned by these persons are separate and in addition to our advisory fees. This practice presents a conflict of interest because persons providing investment advice on behalf of our firm who are insurance agents have an incentive to recommend



insurance products to you for the purpose of generating commissions. However, you are under no obligation, contractually or otherwise, to purchase insurance products through any person affiliated with our firm.

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

We do not accept performance-based fees or participate in side-by-side management. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Our fees are calculated as described in the *Advisory Business* section above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

## **Item 7 Types of Clients**

We offer investment advisory services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, and other business entities.

In general, we require a minimum of \$50,000 to open and maintain an advisory account. At our discretion, we may waive this minimum account size. For example, we may waive the minimum if you appear to have significant potential for increasing your assets under our management. We may also combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts to meet the stated minimum. The minimum initial investment for LIS and LAAP are \$250,000 and \$25,000, respectively.

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

We may use one or more of the following methods of analysis or investment strategies when providing investment advice to you:

- Charting Analysis - involves the gathering and processing of price and volume information for a particular security. This price and volume information is analyzed using mathematical equations. The resulting data is then applied to graphing charts, which is used to predict future price movements based on price patterns and trends.
- Fundamental Analysis - involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company's industry. The resulting data is used to measure the true value of the company's stock compared to the current market value.
- Technical Analysis - involves studying past price patterns and trends in the financial markets to predict the direction of both the overall market and specific stocks.
- Cyclical Analysis - a type of technical analysis that involves evaluating recurring price patterns and trends.
- Long Term Purchases - securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.
- Short Term Purchases - securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations.

- **Margin Transactions** - a securities transaction in which an investor borrows money to purchase a security, in which case the security serves as collateral on the loan. If the value of the shares drops sufficiently, the investor will be required to either deposit more cash into the account or sell a portion of the stock in order to maintain the margin requirements of the account. This is known as a "margin call." An investor's overall risk includes the amount of money invested plus the amount that was loaned to them.
- **Options Writing/Trading** - a securities transaction that involves buying or selling (writing) an option. If you write an option, and the buyer exercises the option, you are obligated to purchase or deliver a specified number of shares at a specified price at the expiration of the option regardless of the market value of the security at expiration of the option. Buying an option gives you the right to purchase or sell a specified number of shares at a specified price until the date of expiration of the option regardless of the market value of the security at expiration of the option. Options are complex investments and can be very risky, especially if the investor does not own the underlying stock. In certain situations, an investor's risk can be unlimited.

### **Risks Associated with Methods of Analysis and Investment Strategies**

**Charting and Technical Analysis** - The risk of market timing based on technical analysis is that charts may not accurately predict future price movements. Current prices of securities may reflect all information known about the security and day to day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

**Fundamental Analysis** - The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.

**Cyclical Analysis** - The risk of cyclical analysis is that economic/business cycles may not be predictable and may have many fluctuations between long term expansions and contractions. The lengths of economic cycles may be difficult to predict with accuracy and therefore the risk of cyclical analysis is the difficulty in predicting economic trends and consequently the changing value of securities that would be affected by these changing trends.

### **Investment Strategy and Tax Disclosures**

Our investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio.

We may use short-term trading (in general, selling securities within 30 days of purchasing the same securities) as an investment strategy when managing your account(s). Short-term trading is not a fundamental part of our overall investment strategy, but we may use this strategy occasionally when we determine that it is suitable given your stated investment objectives and tolerance for risk.

Our strategies and investments may have unique and significant tax implications. We generally take tax efficiency into consideration in the management of your assets. Nonetheless, regardless of your account size or any other factors, we recommend that you consult with a tax professional prior to and throughout the investing of your assets.

Moreover, as a result of revised IRS regulations, custodians will begin reporting the cost basis of equities acquired in client accounts on or after January 1, 2011. Your custodian will default to the FIFO (First-In First-Out) accounting method for calculating the cost basis of your investments. You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for

you. If your tax advisor believes another accounting method is more advantageous, please provide written notice to our firm immediately and we will alert your account custodian of your individually selected accounting method. Please note that decisions about cost basis accounting methods will need to be made before trades settle, as tax law requires that the cost basis method remain unchanged after settlement.

### **Risk of Loss**

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. You understand that our investment recommendations for your account are subject to various market, currency, economic, political and business risks, and that those investment decisions will not always be profitable. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

### **Recommendation of Particular Types of Securities**

As disclosed under the *Advisory Business* section above, we recommend all types of securities and we do not necessarily recommend one particular type of security over another since each client has different needs and different tolerance for risk. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it.

## **Item 9 Disciplinary Information**

Henley & Company Wealth Management, LLC has been registered and providing investment advisory services since 2007. Neither our firm nor any of our Associated Persons has any reportable disciplinary information.

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

### **Registrations with Broker-Dealer and Arrangements with Affiliated Entities**

We are affiliated with Henley & Company, LLC (H&C), through common control and ownership. H&C is a securities broker-dealer and member FINRA, SIPC and MSRB. As disclosed above, Associated Persons of our firm may also be licensed as registered representatives to sell securities through H&C. We will recommend that you use the brokerage services of H&C if appropriate and suitable for your needs. You are under no obligation to engage H&C for such services. Our advisory services and associated fees are separate and distinct from any compensation you pay to H&C for brokerage and related services. Refer to the *Fees and Compensation* section above and the *Brokerage Practices* section below for additional disclosures.

The referral arrangement we have with our affiliate presents a conflict of interest because we may have a financial incentive to recommend H&C's services. While we believe that compensation charged by H&C is competitive, such compensation may be higher than fees charged by other firms providing the same or similar services. You are under no obligation to use our affiliates' services and may obtain comparable services and/or lower fees through other firms.

Refer to the *Fees and Compensation* section above for additional disclosures on this topic.

### **Insurance Licenses**

Associated Persons of our firm may also be separately licensed as independent insurance agents. Refer to the *Fees and Compensation* section above for additional disclosures on this topic.

## **Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### **Description of Our Code of Ethics**

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for our Associated Persons. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All of our Associated Persons are expected to adhere strictly to these guidelines. Our Code of Ethics also requires that certain persons associated with our firm submit reports of their personal account holdings and transactions to a qualified representative of our firm who will review these reports on a periodic basis. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm. Clients or prospective clients may obtain a copy of our Code of Ethics by contacting us at the telephone number on the cover page of this brochure.

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

Certain investment advisory clients may have brokerage accounts with Henley & Company, LLC, our affiliated broker dealer. In providing brokerage services to these clients separate and apart from their advisory accounts Henley & Company may enter into riskless principal transactions. However, these activities are unrelated to our advisory activities and do not occur in advisory accounts.

### **Personal Trading Practices**

Our firm or persons associated with our firm may buy or sell the same securities that we recommend to you or securities in which you are already invested. We may also combine our orders to purchase securities with your orders to purchase securities ("block trading"). Please refer to the "Brokerage Practices" section in this Brochure for information on our block trading practices.

A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To mitigate this conflict of interest, it is our firm policy that we shall not have priority over your account in the purchase or sale of securities.

## **Item 12 Brokerage Practices**

We recommend the brokerage and custodial services of Henley & Company, LLC ("H&C"), our affiliated broker-dealer and Pershing, LLC ("Pershing"), the clearing firm for Henley & Company, LLC, registered broker-dealers and members of FINRA and SIPC. We believe H&C and Pershing provide quality execution services for you at competitive prices. Price is not the sole factor we consider in evaluating best execution. We also consider the quality of the brokerage services provided by H&C and Pershing, the firms' reputation, execution capabilities, commission rates, and responsiveness to our clients and our firm. You may pay higher commissions and/or trading costs than those that may be available elsewhere.

Persons providing investment advice on behalf of our firm who are registered representatives of H&C will recommend H&C to you for brokerage services. These individuals are subject to applicable rules that restrict them from conducting securities transactions away from H&C unless H&C provides the representative with written authorization to do so. Therefore, these individuals are generally limited to conducting securities transactions through H&C. It may be the case that H&C charges higher transactions costs and/or custodial fees than another broker charges for the same types of services.

You may utilize the broker-dealer of your choice and have no obligation to purchase or sell securities through such broker as, we recommend. However, if you do not use H&C we may not be able to accept your account. Refer to the *Fees and Compensation* section above for additional disclosures on this topic.

You should be aware that best execution and lower commissions may not necessarily be achieved if recommended transactions are placed through Associated Persons of our firm in their separate capacity as a registered representative of H&C or as a licensed insurance agent/broker.

### **Brokerage for Client Referrals**

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

### **Directed Brokerage**

In limited circumstances, and at our sole discretion, some clients may instruct our firm to use one or more particular brokers for the transactions in their accounts. If you choose to direct our firm to use a particular broker, you should understand that this might prevent from effectively negotiating brokerage commissions on your behalf. This practice may also prevent our firm from obtaining favorable net price and execution. Thus, when directing brokerage business, you should consider whether the commission expenses, execution, clearance, and settlement capabilities that you will obtain through your broker are adequately favorable in comparison to those that we would otherwise obtain for you.

### **Block Trades**

Transactions for each client generally will be effected independently, unless we decide to purchase or sell the same securities for several clients at approximately the same time. We may, but are not obligated to, combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as "block trading"). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. Subject to our discretion regarding factual and market conditions, when we combine orders, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs on any given day. Accounts owned by our firm or persons associated with our firm may participate in block trading with your accounts; however, they will not be given preferential treatment.

In the event orders are not block traded, you may pay different prices for the same securities transactions than other clients pay. Furthermore, we may not be able to buy and sell the same quantities of securities for you and you may pay higher commissions, fees, and/or transaction costs than if orders were block traded.

## **Item 13 Review of Accounts**

James Brown (only a reviewer in the state of Virginia), Mitchell Kurtz, Ira Rousso, Investment Adviser Representatives or Francis Gemino, Managing Member, will monitor portfolio management accounts on a continuous basis. Michael Laderer, Managing Director and Compliance Officer, will conduct a review of accounts at least quarterly. Triggering factors that may stimulate a review include, but are not limited to, significant market corrections, large deposits or withdrawals from an account, substantial changes in the value of a client's portfolio and a change in the client's investment objectives.

We will provide you with a written quarterly performance report, including a summary of account activity and account holdings, on as needed basis and/or at your request. In addition, you will receive statements directly from your account custodian(s) on a quarterly basis.



## Item 14 Client Referrals and Other Compensation

We do not directly or indirectly compensate non-employee (outside) consultants, individuals, and/or entities (Solicitors) for client referrals.

Certain of our Associated Persons are licensed insurance agents and are registered representatives with Henley & Company, LLC, a securities broker-dealer, and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. Refer to the *Fees and Compensation* section above for additional disclosures on this topic.

## Item 15 Custody

As paying agent for our firm, your independent custodian may directly debit your account(s) for the payment of our advisory fees, but only if you previously consented to such deduction in writing. This authority to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or securities. We do not have physical custody of any of your funds and/or securities. You will receive account statements from the independent, qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy. We may also provide statements to you reflecting the amount of advisory fee deducted from your account.

You should compare any statements you receive from us with the statements from your account custodian(s) to reconcile the information reflected on each statement. If you have a question regarding your account statement or if you did not receive a statement from your custodian, please contact Michael John Laderer, Chief Compliance Officer, at (516) 794-5520.

## Item 16 Investment Discretion

Before we can buy or sell securities on your behalf, you must first sign our discretionary management agreement. If you engage us to provide investment advisory services on a discretionary basis, we have the authority to determine the selection and amount of securities to be purchased or sold for your account(s) without obtaining your consent or approval prior to each transaction. You may specify investment objectives, guidelines, and/or impose certain conditions or investment parameters for your account(s). For example, you may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio and/or restrictions or prohibitions of transactions in the securities of a specific industry or security. Refer to the *Advisory Business* section above for more information on our discretionary management services.

If you enter into non-discretionary arrangements with our firm, we will obtain your approval prior to the execution of any transactions for your account(s). You have an unrestricted right to decline to implement any advice provided by our firm on a non-discretionary basis.

## Item 17 Voting Client Securities

We will not vote proxies on behalf of your advisory accounts. At your request, we may offer you advice regarding corporate actions and the exercise of your proxy voting rights. If you own shares of applicable securities, you are responsible for exercising your right to vote as a shareholder.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward any electronic solicitation to vote proxies.

## **Item 18 Financial Information**

Our firm does not have any financial conditions or impairments that would prevent us from meeting our contractual commitments to you. We do not take physical custody of client funds or securities, or serve as trustee or signatory for client accounts, and, we do not require the prepayment of more than \$1,200 in fees six or more months in advance nor have we filed a bankruptcy petition at any time in the past ten years. Therefore, we are not required to include a financial statement with this brochure.

## **Item 20 Additional Information**

### **Your Privacy**

We view protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that we keep your personal information private and secure.

We do not disclose any nonpublic personal information about you to any nonaffiliated third parties, except as permitted by law. In the course of servicing your account, we may share some information with our service providers, such as transfer agents, custodians, broker-dealers, accountants, consultants, and attorneys.

We restrict internal access to nonpublic personal information about you to employees, who need that information in order to provide products or services to you. We maintain physical and procedural safeguards that comply with regulatory standards to guard your nonpublic personal information and to ensure our integrity and confidentiality. We will not sell information about you or your accounts to anyone. We do not share your information unless it is required to process a transaction, at your request, or required by law.

You will receive a copy of our privacy notice prior to or at the time you sign an advisory agreement with our firm. Thereafter, we will deliver a copy of our privacy policy notice to you on an annual basis. Please contact us at the telephone number on the cover page of this brochure if you have any questions regarding this policy.

### **Trade Errors**

In limited circumstances, we may make an error in submitting a trade on your behalf. In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account. In the event the trading error results in an erroneous profit, the profit will not be allocated to the client as the custodian or representatives of Henley & Company, LLC would maintain the profit.

### **Class Action Lawsuits**

We do not determine if securities held by you are the subject of a class action lawsuit or whether you are eligible to participate in class action settlements or litigation nor do we initiate or participate in litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by you.

**Henley & Company Wealth Management, LLC**

**1290 RXR Plaza  
Uniondale, New York 11556**

**Telephone (516) 794-5520**

**Facsimile (516) 794-6207**

**[www.henleyandcompany.com](http://www.henleyandcompany.com)**

**7/30/2012**

**WRAP FEE PROGRAM BROCHURE**

**FORM ADV PART 2A**

**APPENDIX 1**

**This Wrap Fee program brochure provides information about the qualifications and business practices of Henley & Company Wealth Management, LLC. Please contact Michael Laderer at (516) 794-5520 if you have any questions about the contents of this brochure. 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 Henley & Company Wealth Management, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Henley & Company Wealth Management, LLC is 144884.**

**Henley & Company Wealth Management, LLC is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.**



## Item 2 Material Changes

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Generally, Henley & Company Wealth Management LLC will notify clients of material changes on an annual basis. However, where we determine that an interim notification is either meaningful or required, we will notify our clients promptly. In either case, we will notify our clients in a separate document.

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This brochure is a new document prepared according to the SEC's new requirements and rules. As such, this document is different in structure and requires certain new information that our previous brochure did not require. This section will be updated on an annual basis to reflect any material changes since our last annual update.

## Item 4 Services, Fees and Compensation

Henley & Company Wealth Management, LLC is a registered investment adviser primarily based in Uniondale, New York. We also maintain a branch office in New York, NY. Our firm is organized as a limited liability company under the laws of the State of New York. We have been providing investment advisory services since 2007. Francis Patrick Gemino is our principal owner.

As used in this brochure, the words "we", "our" and "us" refer to Henley & Company Wealth Management, LLC and the words "you", "your" and "client" refer to you as either a client or prospective client of our firm. Also, you may see the term Associated Person or Investment Adviser Representative throughout this brochure. As used in this brochure, our Associated Persons or Investment Adviser Representatives are our firm's officers, employees, and all individuals providing investment advice on behalf of our firm.

We offer the Henley Managed Solutions Program (the "Program"), a wrap-fee program, to prospective and existing advisory clients. A wrap-fee program is a type of investment program that provides clients with advisory services, investment management and brokerage services for one all-inclusive fee. If you participate in our wrap fee program, you will pay our firm a single fee, which includes money management fees, certain transaction costs, and custodial and administrative costs. You are not charged separate fees for the respective components of the total services. We receive a portion of the wrap fee for our services. The overall cost you will incur if you participate in our wrap fee program may be higher or lower than you might incur by separately purchasing the types of securities available in the program. Under the Program, Pershing, LLC, the account custodian, will act as paying agent on our behalf with respect to collecting advisory fee payments you make for participation in the Program.

To join the Program, you will enter into an investment advisory agreement with our firm and establish a brokerage account with Pershing.

### Client Investment Process

Under the Program, we will assist you in determining the suitability of the Program based on information you provide our firm including risk tolerance, financial worth, income, and investment objectives. An Investment Adviser Representative ("Advisory Representative") of our firm will refer you to Lockwood Capital Management, Inc. ("LCM") who will manage your account directly. Your Advisory Representative will assist you in selecting first the product and second the investment style or model, which is suitable for your financial situation and personal circumstances, at inception and on an on-going basis. We will provide you with account opening paperwork, brokerage agreement(s), along with a copy of Lockwood's (or the Sponsor's in Managed Account Command) Form ADV Part 2, Appendix 1, or other equivalent disclosure brochure.

We will submit your financial information, investment objectives and account forms to LCM, Pershing and any other broker-dealer, as needed. LCM will review your information, and once approved, LCM will open an account for your Program assets. Assets are held in custody at Pershing, an affiliate of LCM. LCM also reviews the account opening paperwork to determine whether the selected strategy is suitable for your investment goals and objectives. At any time, LCM may request additional information to verify the previous information provided. After LCM reviews and approves the account for trading, you will be required to grant LCM investment discretion in the day-to-day management of your account. Subject to a grant of discretion, LCM may, change sub-managers or investment vehicles, revise asset allocations within strategies and discontinue certain strategies, and accept certain of the sub-managers' suggested securities. Discretionary management does not extend to the withdrawal or transfer of your account assets.

Once your account is established, we will monitor the performance of LCM on a continuous basis and we will make investment recommendations to you as necessary. Currently, we offer the following two options under the Program.

### **Lockwood Investment Strategies ("LIS")**

LIS is a discretionary, multi-discipline managed account product housed in a single portfolio with five core models. The five (5) core models span the risk/return spectrum from current income model to growth model within the context of a diversified portfolio. You may also choose from four (4) additional models which include exposure to non-traditional asset classes. LCM, serving as the Portfolio Manager, determines asset allocation and selects both Sub-Managers and specific investment vehicles for each investment style based on its proprietary modeling strategies, as well as its macroeconomic outlook and investment discipline.

LCM selects a Sub-Manager or investment vehicle, such as an exchange-traded fund ("ETF") or mutual fund, for each investment style. When selected for inclusion within the program, each Sub-Manager electronically provides its model portfolio (buy-list) to LCM on a daily basis. An Overlay Manager combines each of the model portfolios into one Investment Strategies portfolio designed to perform and act similar to the target benchmark for the portfolio. The Overlay Manager gathers each of the portfolios and runs an optimization program that removes security overlap, minimizes tax implications, and creates better tracking to the target benchmark. When LCM selects investment vehicles for each investment style component of each of the portfolios, a number of factors are evaluated. Not only must the vehicle stand on its own investment merits, but it also must fit within the overall strategy. The amount allocated to an investment style component may determine which instrument may be used to manage that portion of the portfolio. An instrument such as a mutual fund or ETF may be utilized to allow broad market exposure to be achieved for lower dollar values. A basket of individual securities supplied by a Sub-Manager may be used for allocations where LCM seeks active management exposure. LCM reviews Sub-Manager and investment vehicle combinations to determine the most effective combination of investments to satisfy the goals of the portfolio. LCM also pays considerable attention to fees, liquidity, investment minimums, and operational issues as they pertain to the implementation and inclusion of investment vehicles and Sub-Managers in the portfolios.

LCM offers a series of strategies limited to traditional asset classes only (Traditional) and a series of Strategies that include traditional and alternative investment asset classes (Alternative) for implementation.

### **Traditional Strategies:**

LCM offers five (5) diversified, discretionary, investment portfolios that include allocations to traditional asset classes including, but not limited to US Fixed Income, US Large-Cap Equity, US Small-Cap Equity, US Mid-Cap Equity, International Equity and REITs.

The asset classes represented within the investment portfolios are comprised of:

**Fixed Income:** LCM employs a broad-based, passive approach for its fixed income allocation, represented by the Lehman Aggregate Bond Index, which has exposure to a diversified mix of corporate and government bonds. As market opportunities warrant, LCM may combine a core allocation to the Lehman Aggregate Bond Index with satellite allocations to various segments of the fixed income market.

**US Large-Cap Equity:** Due to market efficiencies, LCM takes a passive approach to the large-cap equity market, focusing on low-cost, broad-based investment vehicles, represented by the S&P 500 Index and the Russell 1000 Index. As market conditions warrant, LCM may overweight the large cap allocation to the growth or value style.

**US Small-Cap and Mid-Cap Equity:** LCM generally employs an active approach in its allocation to small-cap and mid-cap stocks. This segment of the market, represented by the Russell 2000 Index and the Russell 2500 Index, is inherently more volatile than its large-cap counterpart and, therefore, often carries a lesser weight than the large-cap portion.

**International Equity:** LCM generally employs an active approach in its allocation to international equity. The MSCI EAFE Index represents this asset class. The international allocation is incorporated for both diversification and capital appreciation potential. The asset class as a whole has a relatively low correlation to domestic equity over time and, therefore, may help diversify the portfolio while providing potential for growth. As market opportunity warrants, LCM may include allocations to other international sub-asset classes, such as Emerging Markets and International Small-Cap Equity.

**REITs:** LCM employs a passive approach in its allocation to Real Estate Investment Trusts (REITs). The asset class is represented by the NAREIT-Equity Index, which has had a low correlation to the stock and bond markets. The allocation is intended to lessen overall portfolio volatility and provide income via its dividend yield.

The Traditional Strategies models, representing various levels of expected risk and return, offered within LIS are:

- Model I: Current Income
- Model II: Growth & Income
- Model III: Conservative Growth
- Model IV: Moderate Growth
- Model V: Growth

Model I is the most conservative model, with the majority of the model allocated to fixed income and the balance to equities; Model V is the most aggressive model, with 100% of the model allocated to equities.

Using a long-term, strategic approach to its asset allocation methodology, LCM shifts its models from time to time based on macroeconomic models and changing investment fundamentals. Additionally, LCM tends to make relatively small adjustments within its allocation models, rather than making significant shifts between asset classes, which may further reduce the volatility of the portfolios. The decision to increase or reduce exposure to an asset class is driven by secular changes to key economic and market-related factors, which may include shifts in absolute and relative valuations, expected earnings growth, or the impact of changing interest rates.

#### **Alternative Strategies:**

LCM also offers four (4) diversified, discretionary, investment portfolios that include allocations to the alternative investment asset class, with the expectation of offering comparable to slightly reduced returns with less volatility than the Traditional Strategies. Based on proprietary research, LCM has defined the alternative investment class to include the following asset classes: convertible arbitrage, distressed securities, equity hedge, equity market neutral, event-driven, fund-of-funds, merger arbitrage, macro strategies and commodities. LCM employs a fundamental valuation approach and employs a proprietary five-factor model to generate expected returns, risk and correlation for the traditional asset classes it includes in its investment strategies. A similar approach is employed to determine risks and correlations, and set return requirements for including the alternative asset class in the asset allocation decision. The following issues are among those considered for alternative assets: 1.) expected compensation for potential illiquidity, 2.) transparency and pricing of underlying securities, 3.) implementation costs/fees, and 4.) the use of leverage.

The core asset allocation models offered within the LIS Alternative Strategies are:

- Alternative Model II: Growth & Income
- Alternative Model III: Conservative Growth
- Alternative Model IV: Moderate Growth
- Alternative Model V: Growth

### **Lockwood Asset Allocation Portfolios ("LAAP")**

LAAP is a discretionary, multi-discipline managed account product housed in a single portfolio. LCM, serving as the Portfolio Manager, determines asset allocation strategy and selects investment vehicles for each investment style component of the portfolios, based upon proprietary modeling strategies, macroeconomic outlook and investment research discipline.

The five (5) LAAP models are:

- Model I: Current Income
- Model II: Growth & Income
- Model III: Conservative Growth
- Model IV: Moderate Growth
- Model V: Growth

Model I is the most conservative model, with the majority of the model allocated to fixed income and the balance to equities; Model V is the most aggressive model, with 100% of the model allocated to equities.

These portfolios may consist of open and closed-end mutual funds, exchange-traded funds and other types of securities, as determined by LCM, in its sole discretion. The securities currently employed in the LAAP portfolios are described in LCM's Form ADV Appendix 1 Wrap Brochure and are subject to change at LCM's sole discretion.

### **Changes in Your Financial Circumstances**

In providing the contracted services, we are not required to verify any information we receive from you or from your other professionals (e.g. attorney, accountant, etc.) and we are expressly authorized to rely on the information you provide. Furthermore, unless you indicate to the contrary, we shall assume that there are no restrictions on our services, other than to manage your account in accordance with your designated investment objectives. Moreover, it remains your absolute responsibility to promptly notify us if there are ever any changes in your financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services.

### **Fees and Expenses of the Program**

For participation in the Program, you will pay a quarterly fee, in advance, based upon the market value of the assets held in your account as of the last business day of the preceding calendar quarter. Fees will be assessed pro rata in the event the client agreement is executed at any time other than the first day of a calendar quarter. Our annualized fee schedule, subject to negotiation, is as follows:

<b>Portfolio Size</b>	<b>Annualized Fee</b>
Up to \$1,000,000	1.50%
Over \$1,000,000	1.00%

The above "wrap-fee" includes all advisory and brokerage costs (including transaction costs), quarterly performance reports, third party custodial fees, exchange fees and transfer taxes.

We may allow accounts of members of the same household to be aggregated for purposes of meeting the minimum account size or fee breakpoints. We may allow such aggregation, for example, where we service accounts on behalf of minor children of current clients, individual and joint accounts for a spouse, and other types of related accounts.

Either party, upon 30-days' written notice to the other, may terminate the client agreement. The management fee will be pro-rated for the quarter in which the cancellation notice was given. If you have pre-paid advisory fees that we have not yet earned, you will receive a prorated refund of those fees, based on the number of days in the quarter for which you are a client.

Upon termination, you become responsible for monitoring your own asset and our firm has no further obligation to act upon or to provide advice with respect to those assets.

### **Wrap Fee Program Disclosures**

- The benefits under a wrap fee program depend, in part, upon the size of the Account, the management fee charged and the number of transactions likely to be generated in the Account. For example, a wrap fee program may not be suitable for Accounts with little trading activity. In order to evaluate whether a wrap fee program is suitable for you, you should compare the Program Fee and any other costs of the Program with the amounts that would be charged by other advisers, broker-dealers, and custodians, for advisory fees, brokerage and other execution costs, and custodial services comparable to those provided under the Program.
- In considering the investment programs described in this brochure, you should be aware that participating in a wrap fee program may cost more or less than the cost of purchasing advisory, brokerage, and custodial services separately from other advisers or broker-dealers.
- Our firm and Representatives receive compensation as a result of your participation in the Program. This compensation may be more than the amount our firm or the Representative would receive if you paid separately for investment advice, brokerage, and other services. Accordingly, a conflict of interest exists because our firm and our Representatives have a financial incentive to recommend the Program.
- Similar advisory services may be available from other registered investment advisers for lower fees.

### **Mutual Fund Charges**

Investment vehicles used in LIS and/or LAAP may include mutual funds. The Program Fees for LIS and LAAP respectively do not include fees or expenses which may be associated with individual mutual funds, including, but not limited to, redemption fees, 12b-1 fees, expense ratios or other applicable regulatory fees. LCM's affiliates, Pershing LLC and Pershing Advisor Solutions LLC, may receive fees from certain mutual fund families whose funds are employed in LIS and/or LAAP.

### **Additional Fees And Expenses**

The Program Fee includes the costs of brokerage commissions for transactions executed through Pershing as the account custodian (or another broker-dealer designated as the custodian), and charges relating to the settlement, clearance, or custody of securities in the account. The Program Fee does not include mark-ups and mark-downs, dealer spreads or other costs associated with the purchase or sale of securities, interest, taxes, or other costs, such as national securities exchange fees, charges for transactions not executed through the qualified custodian, costs associated with exchanging currencies, wire transfer fees, or other fees required by law or imposed by third parties. The account will be responsible for these additional fees and expenses.



With respect to LIS and/or LAAP portfolios which include mutual funds, a mutual fund selling agreement must be executed between the specific mutual fund company and the broker-dealer on your account. These products may cost you more or less than purchasing similar services separately, assuming the services could be purchased directly from the various providers thereof. LCM fees may be negotiable at the discretion of, and within the means of, LCM.

### **Investment or Brokerage Discretion**

LCM may change the style allocation, Sub-Managers or investment vehicles used to manage a portion of your portfolio without receiving signed instructions from you in each case. In the event an asset allocation change occurs, LCM rebalances the portfolio accordingly. During the life of the portfolio, LCM may change the investment vehicles used within the portfolio to attempt to achieve more effective tracking to an index, or make an allocation to a specific sector or characteristic, such as International Small-Cap, or Real Estate Investment Trusts (REITs) or fixed income duration.

### **Brokerage Practices**

If you participate in the Program, you will be required to establish an account with LCM, and Pershing, LLC ("Pershing") as the account custodian. We believe that LCM and Pershing provide quality execution services based on several factors, including but not limited to the ability to provide professional services, reputation, experience and financial stability.

We may receive from LCM, Pershing, and/or a mutual fund company, without cost (or at a discount) support services and/or products, certain of which assist our firm in better monitoring and servicing your accounts maintained at such institutions. These benefits may include: investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by our firm in furtherance of our investment advisory business operations.

Certain of the support services and/or products that we may receive may assist our firm in managing and administering your account(s). Others do not directly provide such assistance, but rather assist our firm in the management and further development of our business enterprise. There is no corresponding commitment made by our firm to LCM, Pershing, or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

### **Brokerage For Client Referrals**

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

### **Additional Compensation**

Associated Persons of our firm may be registered representatives of Henley & Company LLC, an affiliated broker-dealer and may also be separately licensed as insurance agents. In their capacity as insurance agents and registered representatives, these individuals can effect transactions in insurance products and securities for you and earn separate commission-based compensation and/or 12b-1 fees for these activities outside of the Program. Refer to the *Additional Information* section below for additional disclosures on this topic.

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

We offer investment advisory services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, and other business entities.

The minimum initial investment for LIS and LAAP are \$250,000 and \$25,000, respectively.

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

We select and review portfolio managers (Lockwood Capital Management, Inc.) based on a due diligence review of the manager which includes a review of the manager's disclosure brochure, strategies, investment philosophy, interviews with the manager and a review of the managers historical performance. We would recommend that Lockwood be replaced as portfolio manager in the event Lockwood's performance was not acceptable.

Pershing reviews performance information provided by managers in the Program, by conducting a pricing review and market value comparison and validation of the accuracy of performance on a daily, weekly and monthly basis. For certain options, underlying managers provide performance information which is neither reviewed nor calculated by any third party. In those circumstances, performance information may not be calculated on uniform and consistent basis.

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

As required, in order to provide the Program services, we will provide your private information to Lockwood Capital Management and Pershing including your financial information, investment objectives and account forms as needed. In the event you provide us with updated information, we will share this information with Lockwood/Pershing. We may also provide your private information to mutual fund companies and/or private managers. We will only share the information necessary in order to carry out our obligations to you in servicing your account. We share your personal account data in accordance with our privacy policy as described below.

### **Your Privacy**

We view protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that we keep your personal information private and secure.

We do not disclose any nonpublic personal information about you to any nonaffiliated third parties, except as permitted by law. In the course of servicing your account, we may share some information with our service providers, such as transfer agents, custodians, broker-dealers, accountants, consultants, and attorneys.

We restrict internal access to nonpublic personal information about you to employees, who need that information in order to provide products or services to you. We maintain physical and procedural safeguards that comply with regulatory standards to guard your nonpublic personal information and to ensure our integrity and confidentiality. We will not sell information about you or your accounts to anyone. We do not share your information unless it is required to process a transaction, at your request, or required by law.

You will receive a copy of our privacy notice prior to or at the time you sign an advisory agreement with our firm. Thereafter, we will deliver a copy of our privacy notice to you on an annual basis. Please contact us at the telephone number on the cover page of this brochure if you have any questions regarding this policy.

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

Generally you will not have any direct contact with Lockwood. Without restriction, you are encouraged to contact our firm and/or your Advisory Representative with respect to management of your Program account.

## **Item 9 Additional Information**

### **Disciplinary Information**

Neither our firm nor our principal owners have any legal or disciplinary events which are required to be disclosed in this Brochure Appendix.

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

We are under common control and ownership with Henley & Company LLC, a securities broker dealer and member FINRA, SIPC and MSRB. Associated Persons of our firm may also be licensed as registered representatives to sell securities through Henley & Company, LLC. In their separate capacity as registered representatives, these individuals may be involved in the sale of securities of various types, including, but not limited to, stocks, bonds, and mutual funds. In their capacity as registered representatives, these individuals may earn commissions and /or 12b-1 fees in accounts outside the program. This presents a conflict of interest because we may have an incentive to recommend securities products to you for the purpose of generating commissions. We have adopted a policy that clients will not be charged brokerage commissions on transactions in advisory accounts with the exception of initial public/syndicate offerings where the commission is built into the offering price by the issuer/syndicate.

Associated Persons of our firm may also be separately licensed as independent insurance agents. In this capacity, these individuals can effect transactions in insurance products for you and earn commissions for these activities. The fees you pay our firm for advisory services are separate and distinct from the commissions earned by these individuals for insurance related activities. This presents a conflict of interest because we may have an incentive to recommend insurance products to you for the purpose of generating commissions. However, you are under no obligation, contractually or otherwise, to purchase insurance products through any person affiliated with our firm.

### **Description of Our Code of Ethics**

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for our Associated Persons. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All of our Associated Persons are expected to adhere strictly to these guidelines. Our Code of Ethics also requires that certain persons associated with our firm submit reports of their personal account holdings and transactions to a qualified representative of our firm who will review these reports on a periodic basis. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm. Clients or prospective clients may obtain a copy of our Code of Ethics by contacting us at the telephone number on the cover page of this brochure.

**Personal Trading Practices**

Our firm or persons associated with our firm may buy or sell the same securities that are purchased for your account. A conflict of interest exists in such cases because we may have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To mitigate this conflict of interest, it is our policy that neither our firm nor any of our Associated Persons shall have priority over your account in the purchase or sale of securities for which we have knowledge.

**Reviews of Accounts**

Frank Gemino will monitor the performance of your account on an ongoing basis and will make recommendations to you on asset allocation as necessary.

We will provide clients with a quarterly performance report (prepared by Pershing), including a summary of account activity and account holdings, on as needed basis and/or upon request of a client.

**Client Referrals and Other Compensation**

We do not receive any compensation from any third party in connection with providing investment advice to you nor do we compensate any individual or firm for client referrals.

**Financial Information**

We are not required to provide a balance sheet or other financial information to our clients, because we do not require the prepayment of fees in excess of \$1200 and six months or more in advance; we do not take custody of client funds or securities; and, we do not have a financial condition that is reasonably likely to impair our ability to meet our commitments to you.

**Proxy Voting/Class Action Lawsuits**

We will not vote proxies on behalf of your advisory accounts. If you own shares of applicable securities, you may elect to vote proxies or proxies will be voted by underlying managers.

If you elect to vote proxies, in most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward any electronic solicitation to vote proxies.

We do not determine if securities held by you are the subject of a class action lawsuit or whether you are eligible to participate in class action settlements or litigation nor do we initiate or participate in litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by you.