

**Item 1: Cover Page for Part 2A of  
Form ADV: Firm Brochure  
March 2017**



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**This brochure provides information about the qualifications and business practices of Westside Investment Management, INC. (the “Registrant”). If you have any questions about the contents of this brochure, please contact us at (310) 315-9400 or [james@westsideim.com](mailto:james@westsideim.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

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

**References herein to Westside Investment Management, Inc. as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.**

## Item 2            Material Changes

Since our last annual amendment filing on March 7, 2016, Westside Investment Management has not had any material changes to disclose.

For more information, please contact James Frawley, Chief Compliance Officer at 310.315.9400.

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## Item 4      **Advisory Business**

- A. Westside Investment Management (the “Registrant”) was originally formed as a limited liability company on June 28, 2010 in the State of California. On January 1<sup>st</sup>, 2015, the Registrant converted to a corporation and operates as Westside Investment Management, Inc. The Registrant became registered as an Investment Adviser Firm in August 2010. The Registrant is owned by David T. Clark and James M. Frawley, the Registrant’s shareholders.
- B. As discussed below, the Registrant offers to its clients (individuals, pension and profit sharing plans, business entities, trusts, estates and charitable organizations, etc.) investment advisory services, and, to the extent specifically requested by a client, financial planning and related consulting services.

### **INVESTMENT ADVISORY SERVICES**

The client can determine to engage the Registrant to provide discretionary investment advisory services on a *fee* basis. The Registrant’s annual investment advisory fee shall vary (up to 2.00% of the total assets placed under the Registrant’s management/advisement) and shall be based upon **various objective and subjective factors**, including, but not limited to, the amount of the assets placed under the Registrant’s direct management, the amount of the assets placed under the Registrant’s advisement (assets that are generally managed directly by the client or by other investment professionals engaged by the client) for which the Registrant provides review/monitoring services, but does not have trading authority, the complexity of the engagement, and the level and scope of the overall investment advisory services to be rendered. ***See also Fee Differential*** discussion below.

### **SERVICES AVAILABLE THROUGH SEI**

#### **Managed Accounts Program:**

Registrant participates in the Managed Accounts Program (the “MAP”) sponsored by SEI Investments Management Corporation (“SEI”), a registered investment adviser. To participate in the MAP, Registrant, SEI and each client investor execute a tri-party agreement (a “*Managed Account Agreement*”) providing for the management of certain clients assets. Pursuant to the *Managed Account Agreement*, the client appoints Registrant as its investment adviser to assist the client in selecting an asset allocation strategy, which would include a percentage of client assets allocated to designated portfolios of separate securities (each, a “Separate Account Portfolio”) and may include a percentage of assets allocated to a portfolio of mutual funds sponsored by SEI or its affiliates. The client appoints SEI to manage the assets in each Separate Account Portfolio in accordance with a strategy selected by the client together with Registrant. SEI may delegate its responsibility for selecting particular securities to one or more portfolio managers. The MAP seeks to provide a globally diversified portfolio in order to meet a client’s long-term investment goals. Registrant provides recommendations regarding a client’s asset allocation strategy and the choice of portfolio managers within the program on a non-discretionary basis only. All changes require the prior approval of the client. Registrant will recommend changes to the client based on the individual needs of the client and changes within the MAP.

Clients should refer to SEI’s program disclosure document for a full description of the services offered in the MAP.

#### **Mutual Fund Allocation Program:**

Registrant manages client portfolios through the SEI Mutual Fund Allocation Program (the "Mutual Fund Program"). In this program, SEI provides advisory services to Registrant (but not to the client) involving the structure and design of asset allocation portfolios comprised solely of mutual funds advised by SEI. SEI also advises Registrant with respect to reallocation and rebalancing of investments within such asset allocation programs.

The Mutual Fund Program is designed as follows:

1. Registrant will determine the client's current financial situation, financial goals and attitudes towards risk through various analyses and questionnaires. This process will help Registrant review the client's situation and enable Registrant to recommend an initial asset allocation based on the client's specific needs and goals.
2. In determining the initial allocation to be used, Registrant will use several model portfolios of no-load mutual funds provided to Registrant by SEI. Registrant will, if appropriate, suggest modifications to these models to more adequately address the client's individual needs.
3. The client may place reasonable restrictions on the nature of the funds held in the portfolio or the allocation among the various classes, and Registrant will assist the client in understanding and evaluating the potential impact of these restrictions on the model portfolios. Once the client's asset allocation has been established, the portfolio will be implemented using the mutual funds advised by SEI. SEI selects the investment managers of the underlying mutual funds. SEI utilizes institutional investment management firms. The fund managers are monitored by SEI to ensure that their investment styles and performance remain consistent with the objectives of the mutual funds.
4. Accounts will be monitored at least semi-annually and, when appropriate, Registrant will suggest a reallocation of the portfolio based on changing economic conditions or changes in the client's individual circumstances. These suggested reallocations will be implemented without prior notice to discretionary clients. For non-discretionary clients, Registrant will obtain the client's prior approval for all such changes.
5. As economic or market changes occur; SEI will make a quarterly review of its model allocations and may recommend changes in these model allocations to Registrant. SEI will automatically reallocate all client holdings in model portfolios unless instructed to do otherwise by Registrant. If Registrant does not contact SEI prior to the first Friday of the month following the end of each calendar quarter, SEI will take Registrant's silence as a direction from Registrant to make the recommended reallocations. SEI will not, however, make any ongoing recommendations concerning portfolios which deviate from SEI's models ("Custom Portfolios"). Registrant is responsible for all reviews of Custom Portfolios and must instruct SEI to make any changes to such portfolios.

Clients may also instruct SEI to automatically rebalance the client's account if the allocation among the underlying mutual funds deviates from the prescribed quarterly allocation by greater than a 2% variance. For the tax-managed models, the variance is 3%. Rebalancing occurs monthly, with no transaction fees.

Should the client's individual situation change, the client should notify Registrant, who will assist the client in revising the current portfolio and/or re-evaluate their financial situation to determine if a different model portfolio would be appropriate to the client's new situation. Registrant will provide services to Mutual Fund Allocation Program accounts on both a discretionary and non-discretionary basis.

Clients should refer to SEI's disclosure document for a full description of the services offered in the Mutual Fund Program.

**Fee Schedule:** Registrant's annual fee for the services it provides through the SEI programs will range from 0 to 2.00% of a client's assets within the programs. This fee does not include SEI's program fee.

Clients will be charged in arrears at the end 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.

SEI will directly debit Registrant's advisory fee from the client's custodial account. SEI will forward the fee to Registrant. SEI will receive certain fees and expenses charged by mutual funds to their shareholders, as well as administrative/custodial fees for servicing the account. Registrant's clients authorize the custodian, SEI, to deduct from their account and pay to Registrant, on the submission of a bill, the management fee for each calendar year quarter. SEI will send to clients a quarterly statement showing the amount of the management fee due, the account value on which the fee is based, and how the fee was calculated. Clients are responsible for verifying fee computations.

Clients should refer to the applicable SEI disclosure documents for a full description of the fees charged in the MAP and the Mutual Fund Allocation Program.

## **MONEY MANAGER SEARCH AND MONITORING**

Registrant may also perform management searches of various independent investment advisers on behalf of a client. Registrant will typically recommend advisers available on "Manager Access Select," a separate account platform sponsored and maintained by LPL Financial Corporation ("LPL") or Charles Schwab.

Based on a client's individual circumstances and needs, Registrant will determine which independent adviser's portfolio management service is appropriate for that client. Factors considered in making this determination include account size, risk tolerance, the opinion of each client, and the investment philosophy of the independent adviser. Clients should refer to the independent adviser's disclosure document for a full description of the services offered. Registrant will meet with the client on a periodic basis to review the account.

Once Registrant determines which selected investment adviser(s) are most appropriate for the client, Registrant will provide the selected investment adviser(s) with the client's personal investment policy. The selected investment adviser(s) will then create and manage the client's portfolio based upon the client's individual needs as exhibited in the client's personal investment policy.

Registrant will continuously monitor the performance of the selected investment adviser(s). If Registrant believes that a particular independent adviser is performing inadequately, or if Registrant believes that a different manager is more suitable for a client's particular needs, then Registrant may suggest that the client contract with a different adviser. Where Registrant has been provided with appropriate discretionary authority by the client, Registrant will remove the client's assets from that selected investment adviser(s) and place the client's assets with another investment adviser(s) at Registrant's discretion.

**Fee Schedule:** Registrant will bill the client directly for Money Manager Search and Monitoring services. The annual fee will be charged as a percentage of the client's managed assets being

monitored by Registrant, ranging from 0 to 2.00 %. The annual fee will depend on the size of the account and the nature and complexity of the client's circumstances.

Clients will be invoiced at the beginning of each calendar quarter based upon the value (market value or fair market value in the absence of market value) of the client's account at the end of the previous quarter.

Registrant's fee for this service does **not** include the independent investment adviser's fee for that entity's advisory/management services. Clients should refer to the independent investment adviser's disclosure documents for more information about that adviser's fees and billing practices.

### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

To the extent specifically requested by a client, the Registrant *may* determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone separate fee basis. Registrant's planning and consulting fees may vary depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s). The client maybe charged an hourly or fixed rate depending upon level and scope of service. Prior to engaging the Registrant to provide planning or consulting services, clients are generally required to enter into a *Consulting Services Agreement* with Registrant setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to Registrant commencing services. If requested by the client, Registrant may recommend the services of other professionals for implementation purposes, including the Registrant's representatives in their individual capacities as registered representatives of a broker-dealer and/or licensed insurance agents. (*See* disclosure at Item 10 C.1 and 10 C.8). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** It remains the client's responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

### **MISCELLANEOUS**

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

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

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

**Fee Differentials.** As indicated above, the Registrant shall price its services based upon various objective and subjective factors. As a result, Registrant's clients could pay diverse fees based upon the market value of their assets, the complexity of the engagement, and the level and scope of the overall investment advisory and/or consulting services to be rendered. As a result of these factors, the services to be provided by the Registrant to any particular client could be available from other advisers at lower fees. All clients and prospective clients should be guided accordingly.

**Private Investment Funds.** Registrant may provide investment advice regarding private investment funds. The Registrant's role relative to the private investment funds shall be limited to its initial and ongoing due diligence and investment monitoring services. If a client determines to become a private fund investor, the amount of assets invested in the fund(s) shall be included as part of "assets under management" for purposes of Registrant calculating its investment advisory fee. Registrant's clients are under absolutely no obligation to consider or make an investment in a private investment fund(s).

**Please Note:** Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund's offering documents, which will be provided to each client for review and consideration. Unlike other liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment.

**Please Also Note: Valuation.** In the event that the Registrant references private investment funds owned by the client on any supplemental account reports prepared by the Registrant, the value(s) for all such private investment funds shall reflect either the initial purchase and/or the most recent valuation provided by the fund sponsor. If the valuation reflects the initial purchase price (and/or a value as of a previous date), the current value(s) (to the extent ascertainable) could be **significantly more or less** than the original purchase price.

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

**Disclosure Statement.** A copy of the Registrant's written Brochure as set forth on Part 2A of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the *Investment Advisory Agreement or Consulting Services Agreement*. Any client who has not received a copy of Registrant's written Brochure at least 48 hours prior to executing the

*Investment Advisory Agreement or Consulting Services Agreement* shall have five business days subsequent to executing the agreement to terminate the Registrant's services without penalty.

- C. The Registrant shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, the Registrant shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at anytime, impose reasonable restrictions, in writing, on the Registrant's services.
- D. The Registrant does not participate in a wrap fee program.
- E. As of March 27, 2017 the Registrant had \$ 360,179,487.87 in assets under management on a discretionary basis.

## **Item 5 Fees and Compensation**

- A. The client can determine to engage the Registrant to provide discretionary investment advisory services on a *fee* basis.

### **INVESTMENT ADVISORY SERVICES**

The client can determine to engage the Registrant to provide discretionary investment advisory services on a *fee* basis. The Registrant's annual investment advisory fee shall vary (up to 2.00% of the total assets placed under the Registrant's management/advisement) and shall be based upon **various objective and subjective factors**, including, but not limited to, the amount of the assets placed under the Registrant's direct management, the amount of the assets placed under the Registrant's advisement (assets that are generally managed directly by the client or by other investment professionals engaged by the client) for which the Registrant provides review/monitoring services, but does not have trading authority, the complexity of the engagement, and the level and scope of the overall investment advisory services to be rendered. ***See also Fee Differential*** discussion above.

### **Managed Accounts Program and Mutual Fund Allocation Program**

Registrant's annual fee for the services it provides through the SEI programs will range from 0 to 2.00% of a client's assets within the programs. This fee does not include SEI's program fee.

### **Money Manager Search and Monitoring**

The annual fee will be charged as a percentage of the client's managed assets being monitored by Registrant, ranging from 0 to 2.00%. The annual fee will depend on the size of the account and the nature and complexity of the client's circumstances.

### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

To the extent specifically requested by a client, the Registrant *may* determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone fee basis. Registrant's planning and consulting fees may vary depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s). The client maybe charged an hourly or fixed rate depending upon level and scope of service.



- B. Clients may elect to have the Registrant's advisory fees deducted from their custodial account. Both Registrant's *Investment Advisory Agreement* and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of the Registrant's investment advisory fee and to directly remit that management fee to the Registrant in compliance with regulatory procedures. In the limited event that the Registrant bills the client directly, payment is due upon receipt of the Registrant's invoice. The Registrant shall deduct fees and/or bill clients quarterly in advance, based upon the market value of the assets on the last business day of the previous quarter. For those clients that participate in SEI's Managed Accounts Program and/or Mutual Fund Allocation Program, the Registrant shall deduct fees quarterly in arrears, based upon the market value of the assets on the last business day of the previous quarter. For those clients that participate in the Money Manager Search and Monitoring program, the Registrant shall bill clients directly.
- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, the Registrant shall generally recommend that *LPL* or Charles Schwab serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *LPL* and Charles Schwab charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). In addition to Registrant's investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).
- D. The Registrant shall deduct fees and/or bill clients quarterly in advance, based upon the market value of the assets on the last business day of the previous quarter. For those clients that participate in SEI's Managed Accounts Program and/or Mutual Fund Allocation Program, the Registrant shall deduct fees quarterly in arrears, based upon the market value of the assets on the last business day of the previous quarter. For those clients that participate in the Money Manager Search and Monitoring program, the Registrant shall bill clients directly. The Registrant, in its sole discretion, may reduce its investment management fee and/or reduce or waive its minimum asset requirement based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

The *Investment Advisory Agreement* between the Registrant and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, the Registrant shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter, or a pro-rated portion of the earned but unpaid advisory fee shall be due, as the case may be.

- E. **Securities Commission Transactions.** In the event that the client desires, the client can engage Registrant's representatives, in their individual capacities, as registered representatives of *LPL*, an SEC registered and FINRA member broker-dealer, to implement investment recommendations on a commission basis. In the event the client chooses to purchase investment products through *LPL*, *LPL* will charge brokerage commissions to effect securities transactions, a portion of which commissions *LPL* shall pay to Registrant's representatives, as applicable. The brokerage commissions charged by *LPL* may be higher or lower than those charged by other broker-dealers. In addition, *LPL* relative to commission mutual fund purchases, may also receive additional ongoing 12b-1 trailing commission compensation directly from the mutual fund company during the period that the client maintains the mutual fund investment.
1. **Conflict of Interest:** The recommendation that a client purchase a commission product from *LPL* presents a *conflict of interest*, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather

than on a particular client's need. No client is under any obligation to purchase any commission products from Registrant's representatives. **The Registrant's Chief Compliance Officer, James M. Frawley, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

2. **Please Note:** Clients may purchase investment products recommended by Registrant through other, non-affiliated broker dealers or agents.
3. The Registrant does not receive more than 50% of its revenue from advisory clients as a result of commissions or other compensation for the sale of investment products the Registrant recommends to its clients.
4. When Registrant's representatives sell an investment product on a commission basis, the Registrant does not charge an advisory fee in addition to the commissions paid by the client for such product. When providing services on an advisory fee basis, the Registrant's representatives do not also receive commission compensation for such advisory services. **However**, a client may engage the Registrant to provide investment management services on an advisory fee basis and separate from such advisory services purchase an investment product from Registrant's representatives on a separate commission basis.

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

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

## **Item 7            Types of Clients**

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

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

- A. The Registrant may utilize the following methods of security analysis:
  - **Charting** - (analysis performed using patterns to identify current trends and trend reversals to forecast the direction of prices)
  - **Fundamental** - (analysis performed on historical and present data, with the goal of making financial forecasts)
  - **Technical** - (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)
  - **Cyclical** - (analysis performed on historical relationships between price and market trends, to forecast the direction of prices)

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

- **Long Term Purchases** (securities held at least a year)

- Short Term Purchases (securities sold within a year)
- Trading (securities sold within thirty (30) days)
- Short Sales (contracted sale of borrowed securities with an obligation to make the lender whole)
- Margin Transactions (use of borrowed assets to purchase financial instruments)
- Options (contract for the purchase or sale of a security at a predetermined price during a specific period of time)

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

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

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

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

In addition to the fundamental investment strategies discussed above, the Registrant may also implement and/or recommend – short selling, use of margin, and/or options transactions. Each of these strategies has a high level of inherent risk. (*See discussion below*).

Short selling is an investment strategy with a high level of inherent risk. Short selling, involves the selling of assets that the investor does not own. The investor borrows the assets from a third party lender (i.e. Broker-Dealer) with the obligation of buying identical assets at a later date to return to the third party lender. Individuals who engage in this activity shall only profit from a decline in the price of the assets between the original date of sale and the date of repurchase. Conversely, the short seller will incur a loss if the price of the assets rises. Other costs of shorting may include a fee for borrowing the assets and payment of any dividends paid on the borrowed assets.

Margin is an investment strategy with a high level of inherent risk. A margin transaction occurs when an investor uses borrowed assets to purchase financial instruments. The investor generally obtains the borrowed assets by using other securities as collateral for the borrowed sum. The effect of purchasing a security using margin is to magnify any gains or losses sustained by the purchase of the financial instruments on margin.

The use of options transactions as an investment strategy involves a high level of inherent risk. Option transactions establish a contract between two parties concerning the buying or selling of an asset at a predetermined price during a specific period of time. During the term of the option contract, the buyer of the option gains the right to demand fulfillment by the seller. Fulfillment may take the form of either selling or purchasing a security depending upon the nature of the option contract. Generally, the purchase or the recommendation to purchase an option contract by the Registrant shall be with the intent of offsetting/"hedging" a potential market risk in a client's portfolio. **Please Note:** Although the intent of the options-related transactions that may be implemented by the Registrant is to hedge against principal risk, certain of the options-related strategies (i.e. straddles, short positions, etc), may, in and of themselves, produce principal volatility and/or risk. Thus, a client must be willing to accept these enhanced volatility and principal risks associated with such strategies. In light of these enhanced risks, client may direct the Registrant, in writing, not to employ any or all such strategies for his/her/their/its accounts.

- C. Currently, the Registrant primarily allocates client investment assets among various individual equity (stocks), debt (bonds) and fixed income securities, mutual funds and/or exchange traded funds, on a discretionary basis, and Independent Managers in accordance with the client's designated investment objective(s). (See Money Manager Search and Monitoring above).

## Item 9 Disciplinary Information

The Registrant has not been the subject of any disciplinary actions.

## Item 10 Other Financial Industry Activities and Affiliations

- A. **Registered Representative of LPL.** As disclosed above in Item 5.E, some of our Registrant's representatives are registered representatives of *LPL*, an SEC Registered and FINRA member broker-dealer.
- B. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C.
1. **Broker Dealer.** As disclosed above in Item 5.E, Registrant's representatives can be registered representatives of *LPL*, an SEC Registered and FINRA member broker-dealer. Clients can choose to engage Registrant's representatives, in their individual capacities, to effect securities brokerage transactions on a commission basis.
  8. **Licensed Insurance Agents.** Registrant's representatives, in their individual capacities, are licensed insurance agents, and may recommend the purchase of certain insurance-related products on a commission basis. As referenced in Item 4.B above, clients can engage Registrant's representatives to purchase insurance products on a commission basis.
    - **Conflict of Interest:** The recommendation by Registrant's representatives that a client purchase a securities or insurance commission product presents a *conflict of interest*, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from Registrant's representatives. Clients are reminded that they may purchase insurance products or securities recommended by Registrant through other, non-affiliated insurance agents or

broker-dealers. **The Registrant's Chief Compliance Officer, James M. Frawley, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

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

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

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

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

- B. Neither the Registrant nor any related person of Registrant recommends, buys, or sells for client accounts, securities in which the Registrant or any related person of Registrant has a material financial interest.
- C. The Registrant and/or representatives of the Registrant *may* buy or sell securities that are also recommended to clients. This practice may create a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if the Registrant did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of the Registrant's clients) and other potentially abusive practices.

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

- D. The Registrant and/or representatives of the Registrant *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11 C, the Registrant has a personal securities transaction

policy in place to monitor the personal securities transaction and securities holdings of each of Registrant's Access Persons.

## **Item 12 Brokerage Practices ( The Custodians and Broker We Use )**

- A. In the event that the client requests that the Registrant recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct the Registrant to use a specific broker-dealer/custodian), Registrant generally recommends that investment management accounts be maintained at *LPL* or Charles Schwab or SEI. Prior to engaging Registrant to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with Registrant setting forth the terms and conditions under which Registrant shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that the Registrant considers in recommending *LPL* or Charles Schwab (or any other broker-dealer/custodian to clients) includes historical relationship with the Registrant, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Registrant's clients shall comply with the Registrant's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Registrant determines, in good faith, that the commission/transaction fee is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Registrant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Registrant's investment management fee. The Registrant's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

### **1. Research and Additional Benefits**

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Registrant may receive from *LPL or Charles Schwab* (or another broker-dealer/custodian) without cost (and/or at a discount) support services and/or products, certain of which assist the Registrant to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by the Registrant may be 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 Registrant in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that *may* be received may assist the Registrant in managing and administering client accounts. Others do not directly provide such assistance, but rather assist the Registrant to manage and further develop its business enterprise.

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at *LPL* or Charles Schwab as a result of this arrangement. There is no corresponding commitment made by the Registrant to *LPL* or Charles Schwab 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.

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

2. The Registrant does not receive referrals from broker-dealers.
3. The Registrant does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Registrant will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Registrant. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

**Please Note:** In the event that the client directs Registrant to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Registrant.

**The Registrant's Chief Compliance Officer, James M. Frawley, remains available to address any questions that a client or prospective client may have regarding the above arrangement.**

- B. To the extent that the Registrant provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless the Registrant decides to purchase or sell the same securities for several clients at approximately the same time. The Registrant may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Registrant's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. The Registrant shall not receive any additional compensation or remuneration as a result of such aggregation.

## **Item 13      Review of Accounts**

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

applicable), investment objectives and account performance with the Registrant on an annual basis.

- B. The Registrant *may* conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance upon request.

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

- A. As referenced in Item 12.A.1 above, the Registrant may receive an indirect economic benefit from *LPL or Charles Schwab*. The Registrant, without cost (and/or at a discount), may receive support services and/or products from *LPL* and Charles Schwab.

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at *LPL or Charles Schwab* as a result of this arrangement. There is no corresponding commitment made by the Registrant to *LPL* or Charles Schwab 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.

We *may* receive from *LPL* or a mutual fund company, without cost and/or at a discount, support services and/or products, to assist us to better monitor and service client accounts maintained at such institutions. Included within the support services, we may receive 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 us to assist us in our investment advisory business operations.

We receive an economic benefit from Schwab in the form of support products, services and portfolio management software that Schwab makes available to us and other independent investment advisors. These products and services assist us in managing and administering our client accounts. They include investment research, both Schwab's own and that of third parties. As such, our firm will utilize Schwab's OpenView Integrated Office portfolio management software, which may be used to provide services to some or all of our clients. Because of the costs associated with oversight of the accounts held at Schwab by *LPL*, there may be an incentive for our firm to recommend that client assets are custodied with *LPL*. In order to address this conflict of interest, client assets will be custodied with the institution that best fits the management needs of the client.

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



- B. The Registrant does not compensate, directly or indirectly, any person, other than its representatives, for client referrals.

## Item 15 Custody

The Registrant does not maintain custody of client funds or securities.

However, we do have the ability to instruct custodians to deduct our advisory fees directly from your account. The custodian maintains the actual custody of your assets. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance.

**Please Note:** To the extent that the Registrant provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by the Registrant with the account statements received from the account custodian. **Please Also Note:** The account custodian does not verify the accuracy of the Registrant's advisory fee calculation.

## Item 16 Investment Discretion

The client can determine to engage the Registrant to provide investment advisory services on a discretionary basis. Prior to the Registrant assuming discretionary authority over a client's account, the client shall be required to execute an *Investment Advisory Agreement*, naming the Registrant as the client's attorney and agent in fact, granting the Registrant full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage the Registrant on a discretionary basis may, at anytime, impose restrictions, **in writing**, on the Registrant's discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe the Registrant's use of margin, etc.).

## Item 17 Voting Client Securities

- A. The Registrant does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.
- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact the Registrant to discuss any questions they may have with a particular solicitation.

## Item 18 Financial Information

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

- B. The Registrant is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. The Registrant has not been the subject of a bankruptcy petition.

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