

# Disclosure Brochure

February 24, 2015

## **Fountainhead Capital Management, LLC**

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This brochure provides information about the qualifications and business practices of Fountainhead Capital Management, LLC (hereinafter "Fountainhead Capital Management" or the "Firm"). If you have any questions about the contents of this brochure, please contact Marc B. Rock at (732) 346-1900. 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 the Firm is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Fountainhead Capital Management, LLC is an SEC registered investment adviser. Registration does not imply any level of skill or training.

## Item 2. Material Changes

In this Item, Fountainhead Capital Management is required to discuss any material changes which have been made to the brochure since the last annual amendment, dated March 3, 2014.

### SEC Registration

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Since the Firm's last update, Fountainhead Capital Management has qualified to obtain U.S. Securities and Exchange Commission (SEC)-level investment adviser registration and withdraw its current registration with the relevant states. This switch to SEC registration means that Fountainhead Capital Management will be primarily regulated by the SEC rather than the various states. This change in registration status will have little, if any, impact on the investment advisory services that Fountainhead Capital Management provides to its clients.

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### Item 4. Advisory Business

Fountainhead Capital Management is an investment adviser providing financial planning, investment management, and pension consulting services to its clients. The Firm has been registered as an investment adviser since March 2011 and is principally owned by Marc B. Rock. As of March 3, 2014, Fountainhead Capital Management had \$101,013,196 in assets under management, \$64,668,181 of which were managed on a discretionary basis and \$36,345,015 which were managed on a non-discretionary basis.

Prior to engaging Fountainhead Capital Management to provide any of the foregoing investment advisory services, the client is required to enter into one or more written agreements with Fountainhead Capital Management setting forth the terms and conditions under which Fountainhead Capital Management renders its services (collectively the “*Agreement*”).

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

#### Financial Planning Services

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Fountainhead Capital Management may provide its clients with a broad range of comprehensive financial planning services. The firm’s financial planning is tailored to the individual needs of the client, but may include retirement planning, education planning, budgeting, cash flow and business planning, review of insurance, or recommendations for portfolio customization.

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

## Investment Management Services

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Clients can engage Fountainhead Capital Management to manage all or a portion of their assets on a discretionary basis. Fountainhead Capital Management primarily allocates clients' investment management assets among *Independent Managers* (as defined below), mutual funds and exchange-traded funds ("ETFs"), but may also incorporate other types of securities. Fountainhead Capital Management also provides advice about any type of investment held in clients' portfolios.

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

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

## Use of Independent Managers

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As mentioned above, Fountainhead Capital Management recommends that clients authorize the active discretionary management of a portion of their assets by and/or among certain independent investment managers ("*Independent Managers*"), based upon the stated investment objectives of the client. The terms and conditions under which the client engages the *Independent Managers* are set forth in a separate written agreement between Fountainhead Capital Management or the client and the designated *Independent Managers*. Fountainhead Capital Management renders services to the client relative to the discretionary selection of *Independent Managers*. Fountainhead Capital Management also monitors and reviews the account performance and the client's investment objectives. Fountainhead Capital Management receives an annual advisory fee which is based upon a percentage of the market value of the assets being managed by the designated *Independent Managers*.

When selecting an *Independent Manager* for a client, Fountainhead Capital Management reviews information about the *Independent Manager* such as its disclosure brochure and/or material supplied by the *Independent Manager* or independent third parties for a description of the *Independent Manager's* investment strategies, past performance and risk results to the extent available. Factors that Fountainhead Capital Management considers in recommending an *Independent Manager* include the client's stated investment objectives, management style, performance, reputation, financial strength,

reporting, pricing, and research. The investment management fees charged by the designated *Independent Managers*, together with the fees charged by the corresponding designated broker-dealer/custodian of the client's assets, may be exclusive of, and in addition to, Fountainhead Capital Management's investment advisory fee set forth above. As discussed above, the client may incur additional fees than those charged by Fountainhead Capital Management, the designated *Independent Managers*, and corresponding broker-dealer and custodian.

In addition to Fountainhead Capital Management's written disclosure brochure, the client also receives the written disclosure brochure of the designated *Independent Managers*. Certain *Independent Managers* may impose more restrictive account requirements and varying billing practices than Fountainhead Capital Management. In such instances, Fountainhead Capital Management may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.

### **Pension Consulting**

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Fountainhead Capital Management offers pension consulting services. Fountainhead Capital Management assists employers in developing defined benefit retirement plan solutions, which may include an evaluation of the qualified retirement plan's fiduciary compliance program, recordkeeping and third party administrative services, development of an investment policy statement, employee communication and education program, and retiree consulting services. Fountainhead Capital Management may also provide investment management services to retirement plans, which includes the implementation and management of the plan assets.

### **Sponsor / Manager of Wrap Program**

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Fountainhead Capital Management is not the sponsor or manager of a wrap fee program.

## Item 5. Fees and Compensation

Fountainhead Capital Management offers its services on a fee basis, which may include fixed fees as well as fees based upon assets under management. Additionally, certain of Fountainhead Capital Management's *Supervised Persons*, in their individual capacities, may offer securities brokerage services and/or insurance products under a separate commission-based arrangement.

### Financial Planning and Pension Consulting Fees

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Fountainhead Capital Management generally charges a fixed fee for financial planning or pension consulting services. These fees are negotiable, but generally range from \$1,000 to \$50,000 on a fixed fee basis, depending upon the level and scope of the services and the professional rendering the financial planning or pension consulting services. If the client engages Fountainhead Capital Management for additional investment advisory services, Fountainhead Capital Management may offset all or a portion of its fees for those services based upon the amount paid for the financial planning or pension consulting services.

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

### Investment Management Fee

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Fountainhead Capital Management provides investment management services for an annual fee based upon a percentage of the market value of the assets being managed by Fountainhead Capital Management. Fountainhead Capital Management's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. Fountainhead Capital Management does not, however, receive any portion of these commissions, fees, and costs.

Fountainhead Capital Management's annual fee is prorated and charged quarterly, in advance, based upon the market value of the assets being managed by Fountainhead Capital Management on the last day of the previous quarter. The annual fee varies depending upon the market value of the assets under management and the type of investment management services to be rendered (including whether the assets are managed directly by Fountainhead Capital Management or through *Independent Managers*), as follows:

Portfolio Value	Adviser Managed (ETF/Mutual Fund)	SMA Equity Portfolio	SMA Fixed Income Portfolio	UMA Equity Portfolio
Up to \$249,000	1.25%	1.00%	0.60%	1.10%
\$250,000 - \$499,999	1.25%	1.00%	0.50%	1.10%
\$500,000 - \$999,999	1.25%	1.00%	0.50%	1.00%
\$1,000,000 - \$1,999,999	1.15%	0.90%	0.40%	1.00%
\$2,000,000 - \$4,999,999	1.00%	0.90%	0.40%	1.00%
Above \$5,000,000	0.75%	0.75%	0.25%	0.85%

Fountainhead Capital Management, in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, *pro bono* activities, etc.).

## Fees Charged by Financial Institutions

As further discussed in response to Item 12 (below), Fountainhead Capital Management generally recommends that clients utilize the brokerage and clearing services of Pershing Advisors Solutions LLC ("*Pershing*") for investment management accounts.

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

Clients may incur certain charges imposed by the *Financial Institutions* and other third parties such as fees charged by *Independent Managers* (as defined below), custodial fees, charges imposed directly by a mutual fund or ETF in the account, which are disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Additionally, for assets outside of any wrap fee programs, clients may incur brokerage commissions and



transaction fees. Such charges, fees and commissions are exclusive of and in addition to Fountainhead Capital Management's fee.

### Fee Debit

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

As further discussed in response to Item 15, clients receive a copy of a statement directly from the custodian of the account indicating all amounts disbursed from clients' accounts, including the investment management fee. For clients who are residents in the State of Florida, Fountainhead Capital Management sends clients and the custodian a copy of its fee statement, including the specific manner in which the investment management was calculated.

### Fees for Management During Partial Quarters of Service

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For the initial period of investment management services, the fees are calculated on a *pro rata* basis. If assets are deposited into or withdrawn from an account after the inception of a quarter that exceed \$10,000, the fee payable with respect to such assets will be prorated based on the number of days remaining in the quarter.

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

Clients may make additions to and withdrawals from their account at any time, subject to Fountainhead Capital Management's right to terminate an account. Additions may be in cash or securities provided that Fountainhead Capital Management reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to Fountainhead Capital Management, subject to the usual and customary securities settlement procedures. However, Fountainhead Capital Management designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. Fountainhead Capital Management may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject

to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

### **Commissions and Sales Charges for Recommendations of Securities**

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Clients can engage certain persons associated with Fountainhead Capital Management (but not the Firm directly) to render securities brokerage services under a separate commission-based arrangement. Clients are under no obligation to engage such persons and may choose brokers or agents not affiliated with Fountainhead Capital Management.

Under this arrangement, the Firm's Supervised Persons, in their individual capacities as registered representatives of SecureVest Financial Group ("SecureVest"), may provide securities brokerage services and implement securities transactions under a separate commission based arrangement. Supervised Persons may be entitled to a portion of the brokerage commissions paid to SecureVest, as well as a share of any ongoing distribution or service (trail) fees from the sale of mutual funds. Fountainhead Capital Management may also recommend no-load or load-waived funds, where no sales charges are assessed. Prior to effecting any transactions, clients are required to enter into a separate account agreement with SecureVest.

A conflict of interest exists to the extent that Fountainhead Capital Management recommends the purchase or sale of securities where its Supervised Persons receive commissions or other additional compensation as a result of the Firm's recommendation. The Firm has procedures in place to ensure that any recommendations made by such Supervised Persons are in the best interest of clients. For certain accounts covered by the Employee Retirement Income Security Act of 1974 ("ERISA") and such others that Fountainhead Capital Management, in its sole discretion, deems appropriate, Fountainhead Capital Management may provide its investment advisory services on a fee-offset basis. In this scenario, Fountainhead Capital Management may offset its fees by an amount equal to the aggregate commissions and 12b-1 fees earned by the Firm's Supervised Persons in their individual capacities as registered representatives of SecureVest.

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

Fountainhead Capital Management does not provide any services for performance-based fees. Performance-based fees are those based on a share of capital gains on or capital appreciation of the assets of a client.

### Item 7. Types of Clients

Fountainhead Capital Management provides its services to individuals, investment pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities.

#### **Minimums Imposed By Independent Managers**

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Fountainhead Capital Management does not impose a minimum portfolio size or minimum annual fee. Certain *Independent Managers* may, however, impose more restrictive account requirements and varying billing practices than Fountainhead Capital Management. In such instances, Fountainhead Capital Management may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.

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

#### Methods of Analysis and Investment Strategy

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Fountainhead Capital Management primarily uses a strategic approach with a tactical overlay as its primary method of analysis, but may also incorporate aspects of fundamental and technical analysis. As a general philosophy, Fountainhead Capital Management looks to protect client portfolios against the downside over capturing an upside swing.

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

Technical analysis involves the analysis of past market data rather than specific company data in determining the recommendations made to clients. Technical analysis may involve the use of charts to identify market patterns and trends which may be based on investor sentiment rather than the fundamentals of the company. The primary risk in using technical analysis is that spotting historical trends may not help to predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that Fountainhead Capital Management will be able to accurately predict such a reoccurrence.

For accounts invested directly by Fountainhead Capital Management, the firm primarily utilizes mutual funds and ETFs, but may also incorporate individual equity securities. When selecting these securities, Fountainhead Capital Management incorporates a variety of factors, including the fund manager's tenure, investment strategy, and/or overall career performance.

As part of its investment strategy, Fountainhead Capital Management may allocate all or a portion of a client's portfolio to one or more *Independent Managers* (as further discussed in response to Item 4). When selecting an *Independent Manager* for a client, the firm examines the performance of the *Independent Manager* during down markets, focusing on the flexibility of the *Independent Manager* to change strategies as market conditions dictates.

#### Risks of Loss

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

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains,

as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

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

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

### *Use of Independent Managers*

Fountainhead Capital Management may recommend the use of *Independent Managers* for certain clients. Fountainhead Capital Management will continue to do ongoing due diligence of such managers, but such recommendations relies, to a great extent, on the *Independent Managers* ability to successfully implement their investment strategy. In addition, Fountainhead Capital Management does not have the ability to supervise the *Independent Managers* on a day-to-day basis other than as previously described in response to Item 4, above.

### *General Risk of Loss*

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

### **Item 9. Disciplinary Information**

Fountainhead Capital Management is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. Fountainhead Capital Management does not have any required disclosures to this Item.

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

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

#### Receipt of Insurance Commission

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Certain of Fountainhead Capital Management's *Supervised Persons*, in their individual capacities, are licensed insurance agents with various insurance companies, and in such capacity, may recommend, on a fully-disclosed commission basis, the purchase of certain insurance products. While Fountainhead Capital Management does not sell such insurance products to its investment advisory clients, Fountainhead Capital Management does permit its *Supervised Persons*, in their individual capacities as licensed insurance agents, to sell insurance products to its investment advisory clients. A conflict of interest exists to the extent that Fountainhead Capital Management recommends the purchase of insurance products where Fountainhead Capital Management's *Supervised Persons* receive insurance commissions or other additional compensation. A further conflict of interest exists to the extent that Fountainhead Capital Management recommends the purchase of insurance products with Penn Mutual Life Insurance Company where the Firm receives certain benefits including health benefits and office space. As a result Fountainhead Capital Management has procedures in place to ensure that any recommendations made by such Supervised Persons are in the best interest of its clients.

#### Registered Representatives of a Broker/Dealer

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Certain of the Firm's Supervised Persons are registered representatives of SecureVest and may provide clients with securities brokerage services under a separate commission-based arrangement. This arrangement is described at length in Item 5.



### Item 11. Code of Ethics

Fountainhead Capital Management and persons associated with Fountainhead Capital Management (“Associated Persons”) are permitted to buy or sell securities that it also recommends to clients consistent with Fountainhead Capital Management’s policies and procedures.

Fountainhead Capital Management has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws (“*Code of Ethics*”). Fountainhead Capital Management’s *Code of Ethics* contains written policies reasonably designed to prevent the unlawful use of material non-public information by Fountainhead Capital Management or any of its associated persons. The *Code of Ethics* also requires that certain of Fountainhead Capital Management’s personnel (called “*Access Persons*”) report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

When Fountainhead Capital Management is engaging in or considering a transaction in any security on behalf of a client, no *Access Person* may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the *Access Person*) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the *Access Person* is completed as part of a batch trade (as defined below in Item 12) with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers’ acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

This *Code of Ethics* has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by *Access Persons* to be completed without any appreciable impact on the markets of such securities. Therefore, under certain limited circumstances, exceptions may be made to the policies stated above.

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

### Item 12. Brokerage Practices

As discussed above, in Item 5, Fountainhead Capital Management generally recommends that clients utilize the brokerage and clearing services of *Pershing*.

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

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

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

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

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

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Fountainhead Capital Management may receive without cost from *Pershing* computer software and related systems support, which allow Fountainhead Capital Management to better monitor client accounts maintained at *Pershing*. Fountainhead Capital Management may receive the software and related support without cost because the Firm renders investment management services to clients that maintain assets at *Pershing*. The software and support is not provided in connection with securities transactions of

clients (i.e., not “soft dollars”). The software and related systems support may benefit Fountainhead Capital Management, but not its clients directly. In fulfilling its duties to its clients, Fountainhead Capital Management endeavors at all times to put the interests of its clients first. Clients should be aware, however, that Fountainhead Capital Management’s receipt of economic benefits from a broker/dealer creates a conflict of interest since these benefits may influence the Firm’s choice of broker/dealer over another that does not furnish similar software, systems support or services.

Specifically, Fountainhead Capital Management may receive the following benefits from *Pershing*:

- Receipt of duplicate client confirmations and bundled duplicate statements;
- Access to a trading desk that exclusively services its institutional traders;
- Access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and
- Access to an electronic communication network for client order entry and account information.

### **Brokerage for Client Referrals**

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Fountainhead Capital Management does not consider, in selecting or recommending broker/dealers, whether the Firm receives client referrals from the Financial Institutions or other third party.

### **Directed Brokerage**

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The client may direct Fountainhead Capital Management in writing to use a particular Financial Institution to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that Financial Institution and the Firm will not seek better execution services or prices from other Financial Institutions or be able to “batch” client transactions for execution through other Financial Institutions with orders for other accounts managed by Fountainhead Capital Management (as described above). As a result, the client may pay higher commissions or other transaction costs, greater spreads or may receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, Fountainhead Capital Management may decline a client’s request to direct brokerage if, in the Firm’s sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

### **Trade Aggregation**

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Transactions for each client generally will be effected independently, unless Fountainhead Capital Management decides to purchase or sell the same securities for several clients at approximately the same time. Fountainhead Capital Management may (but is not obligated to) combine or “batch” such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably

among the Firm's clients differences in prices and commissions or other transaction costs that might not have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among Fountainhead Capital Management's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that the Firm determines to aggregate client orders for the purchase or sale of securities, including securities in which Fountainhead Capital Management's Supervised Persons may invest, the Firm generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. Fountainhead Capital Management does not receive any additional compensation or remuneration as a result of the aggregation.

In the event that the Firm determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a de minimis allocation in one or more accounts, the Firm may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

### **Commissions or Sales Charges for Recommendations of Securities**

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As discussed above, certain Supervised Persons in their respective individual capacities are registered representatives of SecureVest. These Supervised Persons are subject to FINRA Rule 3040 which restricts registered representatives from conducting securities transactions away from their broker-dealer unless SecureVest provides written consent. Therefore, clients are advised that certain Supervised Persons may be restricted to conducting securities transactions through SecureVest if they have not secured written consent from SecureVest to execute securities transactions through a different broker-dealer. Absent such written consent or separation from SecureVest, these Supervised Persons are prohibited from executing securities transactions through any broker-dealer other than SecureVest under its internal supervisory policies. The Firm is cognizant of its duty to obtain best execution and has implemented policies and procedures reasonably designed in such pursuit.

### Item 13. Review of Accounts

#### Account Reviews

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For those clients to whom Fountainhead Capital Management provides investment management services, Fountainhead Capital Management monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. For those clients to whom Fountainhead Capital Management provides financial planning and/or consulting services, reviews are conducted on an “as needed” basis. Such reviews are conducted by one of Fountainhead Capital Management’s investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with Fountainhead Capital Management and to keep Fountainhead Capital Management informed of any changes thereto. Fountainhead Capital Management contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client’s financial situation and/or investment objectives.

#### General Reports and Account Statements

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

#### Financial Planning/Consulting Reports

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

### Item 14. Client Referrals and Other Compensation

#### Client Referrals

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In the event a client is introduced to Fountainhead Capital Management by either an unaffiliated or an affiliated solicitor, the Firm may pay that solicitor a referral fee in accordance with applicable federal and state securities laws. Unless otherwise disclosed, any such referral fee is paid solely from Fountainhead Capital Management's investment management fee and does not result in any additional charge to the client. If the client is introduced to the Firm by an unaffiliated solicitor, the solicitor is required to provide the client with Fountainhead Capital Management's written brochure(s) and a copy of a solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement. Any affiliated solicitor of Fountainhead Capital Management is required to disclose the nature of his or her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of the Firm's written brochure(s) at the time of the solicitation.

#### Other Economic Benefit

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Fountainhead Capital Management may receive an economic benefit from a third party (non-client) for providing investment advice to the firm's advisory clients. This type of relationship poses a conflict of interest, as discussed in Item 12.

### Item 15. Custody

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

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

### Item 16. Investment Discretion

Fountainhead Capital Management is given the authority to exercise discretion on behalf of clients. Fountainhead Capital Management is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. Fountainhead Capital Management is given this authority through a power-of-attorney included in the agreement between Fountainhead Capital Management and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). Fountainhead Capital Management takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made; and
- The *Independent Managers* to be hired or fired.



### Item 17. Voting Client Securities

Fountainhead Capital Management is required to disclose if it accepts authority to vote client securities. Fountainhead Capital Management does not vote client securities on behalf of its clients. Clients receive proxies directly from their *Financial Institutions* and may contact Fountainhead Capital Management using the contact information on the cover of this brochure with any questions.

### Item 18. Financial Information

Fountainhead Capital Management is not required to disclose any financial information pursuant to this Item due to the following:

- The firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance;
- The firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The firm has not been the subject of a bankruptcy petition at any time during the past ten years.

Prepared by:



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