

# Form ADV Part 2A

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## Narrative Brochure

**Sculati Wealth Management, LLC (CRD #: 158783)**

**March 29<sup>th</sup>, 2018**



This brochure provides information about the qualifications and business practices of SCULATI WEALTH MANAGEMENT. If you have any questions about the contents of this brochure, please contact us at: 248-325-9947, or by email at: [david@sculatiwealth.net](mailto:david@sculatiwealth.net). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission. The information in this brochure has only been by the S.E.C. Additional information about SCULATI WEALTH MANAGEMENT is available on the S.E.C.'s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

## Item 2. Material Changes

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### Annual Update

The Material Changes section of this brochure will be updated annually when material change occur after the previous release of the Firm Brochure.

### Material Changes since the Last Update

Sculati Wealth Management has had several material changes since the last ADV Part 2A annual update which was updated on March 23<sup>rd</sup>, 2017.

Sculati Wealth Management has surpassed the Asset Under Management threshold of \$100,000,000 to become S.E.C. registered. As of the date of this ADV Part 2A, Sculati Wealth Management has successfully converted to SEC registration from State registration. All State registrations have been terminated or are pending termination. As of this filing, the States of Michigan, California, Florida, Ohio, and Texas have been sent a notice filing.

Sculati Wealth Management has hired a new adviser, Alan A. Gildenberg. Alan has an extensive background in the wealth management industry, and will be bringing his own clients who will be managed by Sculati Wealth Management. David J. Sculati will be his direct supervisor.

Sculati Wealth Management has instituted a minimum household account value of \$250,000 and increased the minimum fee to \$2,500. Both items are negotiable.

Sculati Wealth Management has updated items regarding the custody rule, and removed all items pertaining to State Registered Advisers.

### Full Brochure Available

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: (248) 325-9947 or by email at: [nathan@sculatiwealth.com](mailto:nathan@sculatiwealth.com)

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## Item 4. Advisory Business

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### Firm Description

SWM was founded in 2011.

SWM provides personalized confidential financial planning and wealth management to individuals, pension and profit sharing plans, trusts, estates, charitable organizations and small businesses. Advice is provided through consultation with the client and may include: determination of financial objectives, identification of financial problems, cash flow management, tax planning, insurance review and sales, wealth management, education funding, retirement planning, and estate planning.

SWM is a fee-only wealth management firm. For all fee-only accounts, financial planning is included at no cost to the client. For all prospective fee-only clients, financial planning is included at no cost to the prospect. It is SWM's standard practice to furnish a financial plan for all current and prospective clients, unless the current or prospective client has opted to not complete the financial planning process. The completion of a financial plan is at the discretion of the current or prospective client, but it is highly encouraged by SWM.

There are no known conflicts of interest for providing a financial plan at no cost. SWM will seek to provide clients with the best service and care. SWM will always work in the best interest of SWM's clients, both current and prospective.

The firm is not affiliated with entities that sell financial products or securities. No commissions or finders' fees in any form are accepted for financial planning and wealth management.

Investment advice is an integral part of financial planning. In addition, SWM advises clients regarding cash flow, college planning, retirement planning, tax planning and estate planning.

Investment advice is provided, with SWM making the final decision on investment selection. SWM does not act as a custodian of client assets. The client always maintains asset control. SWM places trades for clients under a limited power of attorney.

A written evaluation of each client's initial situation is provided to the client, often in the form of an Investment Policy Statement. Periodic reviews are also communicated to provide reminders of the specific courses of action that need to be taken. More frequent reviews occur but are not necessarily communicated to the client unless immediate changes are recommended.

Other professionals (e.g., lawyers, accountants, insurance agents, etc.) are engaged directly by the client on an as-needed basis. Conflicts of interest will be disclosed to the client in the unlikely event they should occur.

The initial meeting, which may be by telephone, is free of charge and is considered an exploratory interview to determine the extent to which financial planning and wealth management may be beneficial to the client.

SWM has 4 employees, 3 of which provide investment advisory functions. These 3 employees are registered with one or more state securities authorities as investment adviser representatives.

99% of clients of SWM are United States persons, with 1% being outside the United States.

## Principal Owners

David J. Sculati is the sole member of the LLC.

## Types of Advisory Services

SWM provides investment supervisory services, also known as asset management services and furnishes investment advice through consultations.

On more than an occasional basis, SWM furnishes advice to clients on matters not involving securities.

For Example: Financial planning matters; taxation issues; trust services that include estate planning, etc.

As of March 29<sup>th</sup>, 2018, SWM has \$122,720,000 in assets under management with 265 clients containing 661 accounts. All accounts are managed on a discretionary basis. Of the 265 clients, 1 client is a non-United States person.

## Wrap Fee Programs

SWM does not participate in wrap fee programs.

## Tailored Relationships

The goals and objectives for each client are documented in our client relationship management system. Investment policy statements are created that reflect the stated goals and objective. Clients may impose restrictions on investing in certain securities or types of securities.

Agreements may only be assigned with client consent.

## Types of Agreements

The following agreements define the typical client relationships.

## Investment Advisory/Management Agreement

All clients choose to have SWM manage their assets to obtain ongoing in-depth advice and life planning. All aspects of the client's financial affairs are reviewed, including those of

their children if desired. Realistic and measurable goals are set and objectives to reach those goals are defined. As goals and objectives change over time, suggestions are made and implemented on an ongoing basis.

For Example:

1. A client's review with SWM results in a goal to plan for future education costs. After this goal has been met another review would take place to assess current goals.
2. An initial client's review with SWM results in plans for retirement. After the client retires, another review takes place to assess current goals.

The scope of work and fee for an *Investment Advisory/Management Agreement* is provided to the client in writing before the start of the relationship. An *Investment Advisory/Management Agreement* includes: investment management (including performance reporting); financial planning; education planning; retirement planning; estate planning; and tax preparation, as well as the implementation of recommendations.

The annual *Investment Advisory/Management Agreement* fee is based on a percentage of the assets under management according to the following schedule that is also outlined in SWM's *Investment Advisory/Management Agreement*:

Breakpoints	All Assets
\$0 to \$1 Million	1.00%
Next \$1 Million	.80%
Next \$1 Million	.60%
Above \$3 Million	.40%

The minimum household account size is \$250,000 and the minimum annual fee is \$2,500. Both items are negotiable. Current client relationships may exist where the fees are higher or lower than the fee schedule above.

Although the *Investment Advisory/Management Agreement* is an ongoing agreement and constant adjustments are required, the length of service to the client is at the client's discretion. The client or the investment manager may terminate an Agreement by written notice to the other party. At termination, fees will be billed on a pro rata basis for the portion of the quarter completed. The portfolio value at the completion of the prior full billing quarter is used as the basis for the fee computation, adjusted for the number of days during the billing quarter before termination.

The *Investment Advisory/Management Agreement* includes an area for clients to sign and initial for consent for electronic delivery of various materials such as the ADV Part 2, statements, performance reports, etc.. SWM will assume all clients would prefer

electronic copies of these materials unless indicated on the *Investment Advisory / Management Agreement*.

## Asset Management

Assets in most accounts are invested primarily in individual securities, money market funds, no-load mutual funds or load funds that allow investment advisers to buy their shares at net asset value, usually through discount brokers or fund companies.

### Definitions:

**Individual Security:** Stocks and bonds are examples of individual securities. Stocks are a share of the ownership of a company. Initially, they are sold by the original owners of a company to gain additional funds to help the company grow. The owners basically sell control of the company to the stockholders. After the initial sale, the shares can be sold and resold on the stock market. A bond or fixed income security is also a type of individual security. The bond issuer promises to pay back the bond purchaser the principal and interest by the listed maturity date. A bond holder is a lender to the corporation. Individual securities can come in different sizes and structures.

Example: Microsoft is an individual security listed on the NASDAQ stock exchange with the symbol "MSFT"

Example: Microsoft issues a bond (debt security) that SWM purchases on behalf of clients on 1/1/2011 for \$900. The face value of the bond is \$1,000. MSFT states they will pay \$50 in interest semiannually until the maturity date on 1/1/2013. At maturity the clients receive the face value (\$1,000) and have received four \$50 payments over the last two years.

**Mutual Funds:** Mutual funds are portfolios of individual securities that are created and managed by mutual fund companies. Fund companies charge each fund shareholder an investment management fee that is disclosed in the fund prospectus. Mutual funds sometimes charge a "sales charge" or "load" to investors who purchase this security. A "load" is an upfront sales charge. SWM does not normally purchase funds with a "load". No-load mutual funds do not charge an upfront sales charge. Mutual funds come in different sizes, strategies and structure.

Example: Kinetics Global Adviser Class A Fund is a load fund listed on the NASDAQ stock exchange with the symbol "KGLAX". Fidelity Contrafund is a no-load fund listed on the NASDAQ stock exchange with the symbol "FCNTX"

**Money Market Fund:** A mutual fund that invests in short-term fixed income securities that are considered low-risk. These are generally not federally insured and pay dividends that reflect short-term interest rates.

Example: Schwab Money Market Fund is a fund where cash in an account can be held until another investment opportunity is found.

Discount brokerages may charge a transaction fee for the purchase of some funds. SWM currently has an agreement with discount brokerage firm Charles Schwab which states that clients of SWM will never be subject to transaction fees larger than \$49.95. If a client chooses to use a custodian other than Charles Schwab then these transaction fees may be different. SWM does not participate in any of these fees. When mutual funds are used, the clients of SWM pay both SWM's management fee and the fees imposed by the mutual fund trading company.

SWM manages client assets according to client needs in individual portfolios that may contain equities, mutual and fixed income securities. SWM has full investment discretion on all accounts. Any exception is indicated in each client's investment advisory contract.

Stocks and bonds are purchased or sold through a brokerage account. The brokerage firm charges a fee for stock and bond trades. SWM does not receive any compensation, in any form, from fund companies. SWM clients pay brokerage commissions and fees in addition to SWM's management fee. The only form of compensation to the custodian or broker dealer is derived from the trading commissions paid by the clients.

Investments may also include: equities (stocks), warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, investment company securities (mutual funds shares), U. S. government securities, options contracts, futures contracts, and interests in partnerships.

Initial public offerings (IPOs) are not available through SWM unless the client specifically requests that an IPO be purchased.

When a client can "roll-over" assets into an account that will be managed by SWM, SWM informs the client that they have the option to leave the asset at the current custodian. The client is informed that and will be subject to this custodian's investment options and fees.

## Termination of Agreement

A client may terminate any of the aforementioned agreements at any time by notifying SWM in writing and paying the rate for the time spent on the investment advisory engagement before notification of termination. If the client made an advance payment, SWM will refund any unearned portion of the advance payment.

SWM may terminate any of the aforementioned agreements at any time by notifying the client in writing. If the client made an advance payment, SWM will refund any unearned portion of the advance payment.



## Item 5. Fees and Compensation

### Description

SWM bases its fees on a percentage of assets under management for investment management.

Investment management fees are negotiable.

### Fee Billing

SWM bills wealth management and percent-of-asset based fees quarterly, in advance, meaning that SWM will invoice clients during the quarter for which they are being billed and in advance of the end of that quarter. The asset amount on which the fee is calculated is the closing value of the last business day of the previous quarter. Payment in full is expected upon invoice presentation. Fees are usually deducted from a designated client account to facilitate billing. Clients of SWM must consent in advance to direct debiting of their investment account.

The fee structure is applied each quarter to determine the amount billed to each client. At each breakpoint there is a reduction in the overall fee that is assessed on each client.

SWM uses the following fee schedule when generating bills:

Breakpoints	All Assets
\$0 to \$1 Million	1.00%
Next \$1 Million	.80%
Next \$1 Million	.60%
Above \$3 Million	.40%

The minimum annual fee is \$2,500 and is negotiable. Current client relationships may exist where the fees are higher or lower than the fee schedule above. Clients are made aware that SWM is not the only investment adviser. Clients are made aware that other investment advisers may have either higher or lower fees than SWM and these investment advisers provide comparable services. Lower fees for comparable services may be available from other sources.

New clients are not prorated an investment management fee. In other words, if a client opens an account in the middle of a billing period, they will not pay a fee until the next billing is assessed.

#### For Example:

1. Client A has \$500,000 in assets at SWM that are being managed. The client would pay a total amount (if assets stayed at \$500,000) \$5,000 for the year assessed and paid each quarter. In this scenario, Client A would pay \$1,250 each quarter (1% divided by 4, multiplied by \$500,000).

2. Client B is a new client to SWM with \$500,000 in assets. At the end of the first quarter the assets amount to \$500,000 for a bill totaling \$1,250 (1.00% divided by 4, multiplied by \$500,000).

The next quarter, the client transferred \$750,000 more assets to SWM. The client now has total assets of \$1.25 Million at SWM. This quarter the fee assessed on the value of assets up to \$1 Million was 1.00%, and the fee assessed on the value of assets over \$1 Million was .80%. This amounts to a fee of \$2,500 on the \$1 Million (1.00% divided by 4, multiplied by \$1 Million), and \$500 (.80% divided by 4, multiplied by \$250,000) on the \$250,000. This client would have an effective fee of .24% for the quarter, or .96% annualized (\$500 added to \$2,500, divided by \$1.25 Million). The total bill for this quarter was \$3,000.

## Other Fees

Custodians may charge transaction fees on purchases or sales of certain mutual funds and exchange-traded funds. These transaction charges are usually small and incidental to the purchase or sale of a security. The selection of the security is more important than the nominal fee that the custodian charges to buy or sell the security. The maximum transaction fee a SWM client can incur is \$49.95 if the client chooses to use Charles Schwab or TD Ameritrade as the custodian. Clients can incur transaction fees larger than \$49.95 if the client chooses to use a different custodian.

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

New Investment Advisory/Management Agreement fees are based on our standard fee schedule.

All financial plans are created at no cost and no obligation to both current fee-only clients and prospective clients. Since all financial planning arrangements are at no cost and no obligation, SWM does not provide a contract to create a financial plan.

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

SWM does not accept compensation for the sale of securities or other investment products.

## Expense Ratios

Mutual funds generally charge a management fee for their services as investment managers. The management fee is called an expense ratio. For example, an expense ratio of 0.50 means that the mutual fund company charges 0.5% annually for their services. These fees are in addition to the fees paid by you to SWM.

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

### Past due Accounts and Termination of Agreement

SWM reserves the right to stop work on any account that is more than 30 days overdue. In addition, SWM reserves the right to terminate any financial planning engagement where a client has willfully concealed or has refused to provide pertinent information about financial situations when necessary and appropriate, in SWM's judgment, to providing proper financial advice. Any unused portion of fees collected in advance will be refunded within 30 days.

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

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### Sharing of Capital Gains

Fees are not based on a share of the capital gains or capital appreciation of managed securities.

SWM does not use a performance-based fee structure because of the potential conflict of interest. Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client.

There is no side-by-side management of accounts at SWM, meaning no accounts have performance-based fees along with another type of fee. All fees are asset-based, as disclosed in the section labeled, "Fees and Compensation".

## Item 7. Types of Clients

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### Description

SWM generally provides investment advice to individuals, high net worth individuals, trusts, estates, or charitable organizations, corporations or business entities.

Client relationships vary in scope and length of service.

### Account Minimums

SWM has a minimum account size of \$250,000 and this is negotiable.

SWM does have a minimum annual fee of \$2,500 and is negotiable. When this minimum annual fee results in a fee charge that is greater than 3%, this fee charge is reduced so that this fee charge will not exceed 3%.

When an account falls below \$250,000 in value, the minimum annual fee of \$2,500 is charged unless this annual fee results in a fee charge that exceeds 3%. If the fee charge exceeds 3%, the annual fee is reduced so that this fee charge will not exceed 3%.

SWM has the discretion to alter the account minimum.

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

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### Methods of Analysis

Security analysis methods may include charting, fundamental analysis, technical analysis, and cyclical analysis.

#### Definitions:

**Charting & Technical Analysis:** Displaying several technical indicators of a single security on a “chart”. This allows comparisons of technical measures using different charting methods to analyze investments and performance. Security analysis focused around past trends, price and volume. This is sometimes referred to as supply and demand analysis. There are various statistical measures used to forecast a security’s future performance.

**Fundamental Analysis:** Determining a security’s true value (sometimes called the intrinsic value) by focusing on factors that are measurable. This data is analyzed and compared against other securities as well as future prospects. This analysis is used to evaluate whether a security is overvalued or undervalued.

**Cyclical Analysis:** Evaluation of the current economic cycle (sometimes referred to as the business cycle) to help determine proper valuations of companies. This is seen as a macro-economic analysis that helps identify opportunities/concerns in specific industries and furthermore specific companies.

The main sources of information include financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

Other sources of information that SWM may use include: past and present articles found within Barron’s and The Wall Street Journal; Morningstar Adviser Workstation; Schwab Institutional; Charles Schwab & Company; Value Line; and the World Wide Web.

### Investment Strategies

SWM will buy individual securities in most accounts but does invest client dollars in money market funds, no-load mutual funds or load funds that allow investment advisers to buy their shares at net asset value. These mutual funds are used to meet specific goals as outlined with the client in the

Investment Policy Statement. Diversification in a smaller account will often make buying a mutual fund rather than individual securities necessary.

Based around either the client's Investment Policy Statement, the client's Financial Plan, either, or both, SWM determines which securities and allocations are best fitted for the client. SWM does not utilize a method of analysis or strategy with significant or unusual risks. SWM does not use a strategy that involves frequent trading of securities.

There are risks regarding the creation of an Investment Policy Statement or a Financial Plan for a client. The client may not provide adequate or accurate information. The client may not inform SWM around changes in their personal or financial life which would impact either the Investment Policy Statement or the Financial Plan.

SWM primarily recommends the following securities (see section "Asset Management" for definitions) with the associated risks listed with them (see section "Risk of Loss" for definitions):

Individual Stocks: Interest-rate risk, market risk, inflation risk, currency risk, business risk, liquidity risk, and financial risk

Individual Bonds: Interest-rate risk, market risk, inflation risk, currency risk, reinvestment risk, business risk, liquidity risk, and financial risk

Mutual Funds: Interest-rate risk, market risk, inflation risk, currency risk, business risk, liquidity risk, and financial risk

Money Market Funds: Interest-rate risk, inflation risk, and currency risk

## **Risk of Loss**

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.

- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

## Item 9. Disciplinary Information

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### Legal and Disciplinary

The firm and its employees have not been involved in legal or disciplinary events related to past or present investment clients.

## Item 10. Other Financial Industry Activities and Affiliations

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### Financial Industry Activities

SWM is a Registered Investment Adviser

### Affiliations

SWM has no affiliations. Employees of SWM have affiliations that are disclosed elsewhere in this document.

### Broker-Dealer Registration

SWM is not registered as a broker-dealer or a registered representative of a broker-dealer, nor does SWM have an application pending to register as such.

## **Futures Commission Merchant, Commodity Pool Operator, Commodity Trading Advisor, or Associated Person**

SWM is not registered as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities, nor does SWM have an application pending to register as such.

## **Relationships or Arrangements**

SWM does not have any relationships or arrangements with the following related persons below that are material to SWM's advisory business:

1. Broker-dealer, municipal securities dealer, or government securities dealer or broker
2. Investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund", and offshore fund)
3. Other investment adviser or financial planner
4. Futures commission merchant, commodity pool operator, or commodity trading advisor
5. Banking or thrift institution
6. Accountant or accounting firm
7. Lawyer or law firm
8. Pension consultant
9. Real estate broker or dealer
10. Sponsor or syndicator of limited partnerships

## **Other Investment Advisers**

SWM does recommend or select other investment advisers for clients that results in direct or indirect compensation. SWM does not have business relationships with other investment advisers that creates a material conflict of interest.

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

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### **Code of Ethics**

The employees of SWM have committed to a Code of Ethics that is available for review by clients and prospective clients upon request. The Code of Ethics is a 3 page document found within SWM's Compliance Manual. This Compliance Manual is updated annually and signed in agreement by all employees of SWM. The firm will provide a copy of the Code of Ethics to any client or prospective client upon request.

SWM does not recommend to clients, nor buys nor sells for client accounts, securities in which SWM has a material financial interest. SWM and all employees of SWM do not have any material

financial interests related to any securities that could potentially be bought or sold for client accounts.

The Code of Ethics contains the following general principles, taken directly from the Compliance Manual:

SWM has the duty always to place the interests of Clients first.

All personal securities transactions will be conducted in such a manner as to be consistent with the code of ethics and to avoid any actual or potential conflict of interest or any abuse of an employee's position of trust and responsibility.

SWM will not take inappropriate advantage of our investment security positions.

SWM will uphold the fiduciary principle that information concerning the identity of security holdings and financial circumstances of clients is confidential.

Total independence in the decision-making process is paramount.

Our code of ethics will apply to all Directors, Officers and Employees. It is important that each person conducts themselves with the highest standards of honesty, integrity and professionalism to protect the firm's reputation as well as their own.

Failure to comply with this code of ethics may result in disciplinary action, including termination of employment.

The Code of Ethics contains the following sections: Scope of the Code, Standards of Business Conduct, Compliance Procedures, and Record Keeping.

## Business Continuity Plan

### General

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

### Disasters

The Business Continuity Plan covers natural disasters such as snow storms, hurricanes, tornados, and flooding. The Plan covers man-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat, nuclear



emergency, chemical event, biological event, phone outage, Internet outage, railway accident and aircraft accident. Electronic files are backed up daily and archived offsite.

### Alternate Offices

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

### Loss of Key Personnel

David J. Sculati is the principal owner of SWM, and will not be leaving the firm.

If David J. Sculati were unable to perform his duties at SWM, each client would be able to move the management of their account to another adviser. Each account is separately managed and not custodied at SWM.

### Information & Cyber Security Program

SWM maintains an information & cyber security program to reduce the risk that your personal and confidential information may be breached.

SWM takes client sensitive information extremely seriously, and has written procedures outlining how documents are to be securely sent to clients. SWM recommends to all clients that they use a secure method to send client sensitive information, however SWM cannot control how client data is sent from the client to SWM.

### Privacy Notice

SWM is committed to maintaining the confidentiality, integrity and security of the personal information that is gathered.

The categories of nonpublic information that SWM collects from clients may include information about client personal finances, information about client health to the extent that it is needed for the financial planning process, information about transactions between clients and third parties, and information from consumer reporting agencies, e.g., credit reports. SWM uses this information to help clients meet personal financial goals.

With permission, SWM discloses limited information to attorneys, accountants, and mortgage lenders with whom clients have established a relationship. Clients may opt out from SWM sharing information with these nonaffiliated third parties by notifying SWM at any time by telephone, mail, fax, email, or in person. With permission, SWM shares a limited amount of information about clients with the client's brokerage firm to execute securities transactions on the behalf of clients.

SWM maintains a secure office to ensure that client information is not placed at unreasonable risk. SWM employs a firewall barrier, secure data encryption techniques and authentication procedures in SWM's computer environment.

SWM does not provide personal information to mailing list vendors or solicitors. SWM requires strict confidentiality in agreements with unaffiliated third parties that require access to client personal information, including financial service companies, consultants, and auditors. Federal and state securities regulators may review SWM records and client personal records as permitted by law.

Personally identifiable information about clients will be maintained throughout the client's relationship with SWM, and for the required period thereafter that records are required to be maintained by federal and state securities laws. After that time, information may be destroyed.

SWM will notify clients in advance if SWM's privacy policy is expected to change. SWM is required by law to deliver this *Privacy Notice* to clients annually, in writing.

### Participation or Interest in Client Transactions

SWM and its employees may buy or sell securities that are also held by clients. Employees may not trade their own securities ahead of client trades. Employees comply with the provisions of the *SWM Compliance Manual*.

### Personal Trading

The Chief Compliance Officer of SWM is Nathan A. Hawrot. He reviews all employee trades each quarter. His trades are reviewed by David J. Sculati. The personal trading reviews ensure that the personal trading of employees does not affect the markets, and that clients of the firm receive preferential treatment. Since most employee trades are small relative to the size of the market, the trades do not affect the securities markets.

## Item 12. Brokerage Practices

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### Selecting Brokerage Firms

SWM does not have any affiliation with product sales firms. Specific custodian recommendations are made to clients based on their need for such services. SWM recommends custodians based on the proven integrity and financial responsibility of the firm and the best execution of orders at reasonable commission rates.

SWM recommends discount brokerage firm Charles Schwab & Co. Inc. and TDAmeritrade.

SWM does not receive fees or commissions from any of these arrangements.

### Best Execution

SWM reviews the execution of trades at each custodian each quarter. The review is documented in the *SWM Compliance Manual*. Trading fees charged by the custodians is also reviewed on a quarterly basis. SWM does not receive any portion of the trading fees.

### Soft Dollars

SWM is currently not engaged in any soft dollar arrangements.

### Order Aggregation

SWM does aggregate client trades when it would be beneficial for clients.

SWM has a Bunched Order Policy that governs the practice of aggregating trades.

The Bunched Order Policy states:

Transactions for each client account will occur independently unless SWM decides to purchase or sell the same securities for several clients on the same day. SWM may combine or “bunch” client orders.

When buying or selling, all clients will receive an average execution price for the security. Not all accounts participating in a bunched order will receive a pro-rata commission. Each account will be subject to the minimum ticket fee imposed by the broker dealer who has custody of the account.

In cases where a partial fill arises with a buy or a sell order, accounts will be allocated based first upon the quantity they are trading (high to low) and then alphabetically (A to Z). Employees of SWM will not participate in bunched orders if there is a partial fill. Employees of SWM will participate in bunched orders if a limit order is filled, or if a market order is placed.

Any client that specifically directs us to use a custodian other than Charles Schwab & Co., Inc. will not be able to participate in bunched orders.

For Example: If SWM were to enter a limit order to buy or sell 10,000 shares of XYZ Company at \$10 per share and SWM was only able to purchase 7,000 shares, then the above policy would be used to allocate this purchase.

## Item 13. Review of Accounts

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### Periodic Reviews

Account reviews are performed quarterly by advisers: President David J. Sculati and CFP® and Chief Compliance Officer, Nathan Hawrot. Account reviews are performed more frequently when market conditions dictate. Along with account reviews, financial plans are reviewed regularly when enacting trades in a client's account.

Financial plans are reviewed when clients have a major life event such as: retirement, death of spouse or relative, college costs, social security eligibility, pension eligibility, etc. These plans are reviewed and updated at this time with the relevant information. Financial plans that have not been

updated within 3 to 5 years are also reviewed and a financial plan update is highly encouraged and the decision to update is at the client's discretion.

### Review Triggers

Other conditions that may trigger a review are changes in the tax laws, new investment information, and changes in a client's own situation.

### Regular Reports

Account reviewers are members of the firm's Investment Committee. They are instructed to consider the client's current security positions and the likelihood that the performance of each security will contribute to the investment objectives of the client.

Clients receive periodic communications on at least an annual basis. *Investment Advisory/Management Agreement* clients receive electronic or written quarterly updates. The electronic or written updates may include individual performance reports as well as an aggregate report for all of the clients' accounts. Annual ADV offer & Annual Privacy Policy or submitted in March after Form ADV has been updated. Realized gain and loss report are sent electronically or written for the previous year and other reports are also available upon request.

## Item 14. Client Referrals and Other Compensation

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### Incoming Referrals

SWM will receive client referrals. The referrals that come from current clients will not result in client compensation.

SWM does not have any arrangements with an outside person or entities that provides investment advice or other advisory services to clients that results in an economic benefit for SWM.

SWM engages in solicitation agreements with licensed or designated professionals who refer clients to SWM. The compensation paid to these other professionals is from SWM. Clients will pay no more than if they had not been directly referred.

### Referrals Out

SWM does not accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.

### Other Compensation

SWM does not receive any forms of other compensation.

## Item 15. Custody

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### Account Statements

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

### Performance Reports

Clients are urged to compare the account statements received directly from their custodians to the performance report statements provided by SWM

### Advisory Fees

SWM has custody of the funds and securities solely because of its authority to make withdrawals from client accounts to pay its advisory fee, along with the authority to move money electronically for each client.

The custody rule was updated in 2017, and there are seven conditions that must be met for SWM to avoid the S.E.C.'s annual surprise examination. Of the 7 conditions, the only condition that SWM must meet is that it maintains records showing that any third-party money movement is not a related party of the investment advisor or located at the same address as the investment advisor. This record can be found in SWM's compliance folder stored electronically on SWM's server.

### Authorization

SWM has written authorization from the client to deduct advisory fees from the account held with the qualified custodian, which can be found on all custodian account applications. The client gives SWM this authorization when the client signs the account application.

### Invoices or Statements

SWM uses a secure and electronic upload method, created by the qualified custodian, to supply the qualified custodian a management fee file each quarter, which includes all client accounts and fee amounts.

SWM always sends the client a billing statement which itemizes the fee each quarter. This statement is supplied either electronically, via a secure web portal, or in print if the client requests a physical copy. The itemized fee statement includes the formula used to calculate the fee, the value of the assets under management on which the fee is based, and the time period covered by the fee.

### Notification

SWM intends to use the safeguards found under the sections above labeled, "Advisory Fees", "Authorization" and "Invoices or Statements" to notify the Commissioner that SWM is not deemed to have custody. Due to these sections, SWM does not have to comply with CCR Section 260.237.2, which is in accordance with the Department's Custody Rule.

## Item 16. Investment Discretion

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### Discretionary Authority for Trading

SWM accepts discretionary authority to manage securities accounts on behalf of clients. SWM has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. Since all SWM clients give discretionary authority via the client's account application and investment advisory agreement, SWM does not consult with the client before each trade to obtain concurrence if a blanket trading authorization has not been given.

The Client approves the custodian to be used. SWM negotiates the commission rates paid to the custodian. SWM does not receive any portion of the transaction fees or commissions paid by the Client to the custodian on certain trades.

Discretionary trading authority facilitates placing trades in Client accounts on the behalf of clients so that SWM may promptly implement the investment policy that clients of SWM have approved in writing.

### Limited Power of Attorney

A limited power of attorney is a trading authorization for this purpose. You sign a limited power of attorney so that we may execute the trades that you have approved.

## Item 17. Voting Client Securities

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### Proxy Votes

SWM does vote proxies on securities on behalf of clients. Clients who sign the Investment Advisory/Management Agreement with SWM give SWM the authority to vote client securities. Clients can obtain SWM's full proxy voting policies and procedures by contacting SWM. These will be provided either via mail or via electronic methods.

SWM employs a rigorous review process of management when deciding on individual equities. In voting client proxies, SWM will look at ballot proposals from the viewpoint of owners. Although SWM never has a large enough position to greatly influence the outcome of a proxy vote, SWM still votes on proxies from this perspective.

SWM will vote with the recommendation of management unless there is a unique item on the company's proxy that greatly influences the company and will impact SWM clients.

SWM will vote against shareholder proposal unless there is a unique item on the company's proxy that is in the best interest of SWM clients.

In voting for company auditors, SWM will usually vote as directed by management.

In general, SWM will vote against the “poison pill”

Ballot proposals will be voted in a manner that is in the interest of SWM client shareholders, which more often-than-not will go with the recommendations by management. There is no known material conflict of interest when voting client securities.

Any client can contact SWM prior to a meeting and request that SWM votes in a particular manner for any item on the company’s proxy. SWM will inform client around the potential ramifications, if any, by voting in a manner that is contrary to the voting procedures of SWM.

All voted proxies are available through [www.proxyedge.com](http://www.proxyedge.com) and can be accessed at any time. At any time, a client can request to see any voted proxies and the voted proxy will be supplied to the client either by mail, or via electronic methods.

## Item 18. Financial Information

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### Financial Condition

SWM does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients.

A balance sheet is not required to be provided because SWM does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than \$500 per client, and six months or more in advance.

SWM has never been the subject of a bankruptcy petition at any time, including the last ten years. None of SWM’s employees have ever been the subject of a bankruptcy petition at any time, including the last ten years.