

**APS WEALTH MANAGEMENT WRAP PROGRAM**

Sponsored by



*a Registered Investment Adviser*

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This brochure provides information about the qualifications and business practices of APS Wealth Management, LLC (hereinafter "APS Wealth Management" or the "Firm"). If you have any questions about the contents of this brochure, please contact the Firm at the telephone number listed above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) 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). The Firm is a registered investment adviser. Registration does not imply any level of skill or training.

## **Item 2. Material Changes**

In this Item, APS Wealth Management is required to discuss any material changes that have been made to the brochure since the last annual amendment. There are no such material changes to disclose.

## Item 3. Table of Contents

Item 2. Material Changes .....	2
Item 3. Table of Contents .....	3
Item 4. Advisory Business .....	4
Item 5. Account Requirements and Types of Clients .....	8
Item 6. Portfolio Manager Selection and Evaluation .....	9
Item 7. Client Information Provided to Portfolio Managers .....	11
Item 8. Client Contact with Portfolio Managers .....	11
Item 9. Additional Information .....	12

## Item 4. Advisory Business

The APS Wealth Management Wrap Program (the “Program”) is an investment advisory program sponsored by APS Wealth Management. Prior to APS Wealth Management rendering any of the foregoing advisory services, clients are required to enter into one or more written agreements with APS Wealth Management setting forth the relevant terms and conditions of the advisory relationship (the “Advisory Agreement”).

APS Wealth Management filed for registration as an investment adviser in August 2018 and is owned by Steven J. Musmanno and Stephen Abramson as of September 26, 2018. As of the date of this filing, APS Wealth Management does not have any assets under management; however, the Firm reasonably expects to be eligible for registration with the SEC within 120 days of approval as an investment adviser.

While this brochure generally describes the business of APS Wealth Management, certain sections also discuss the activities of its Supervised Persons, which refer to the Firm’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees or any other person who provides investment advice on APS Wealth Management’s behalf and is subject to the Firm’s supervision or control.

### Description of the Program

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The Program is offered as a wrap fee program, which provides clients with the ability to trade in certain investment products without incurring separate brokerage commissions or transaction charges. A wrap fee program is considered any arrangement under which clients receive investment advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and the execution of client transactions for a specified fee or fees not based upon transactions in their accounts. Clients must also open a new securities brokerage account and complete a new account agreement with Schwab Advisor Services™ (“Schwab”), or another broker-dealer that APS Wealth Management approves under the Program (collectively “Financial Institutions”).

At the onset of the Program, clients complete an investor profile describing their individual investment objectives, liquidity and cash flow needs, time horizon and risk tolerance, as well as any other factors pertinent to their specific financial situations. After an analysis of the relevant information, APS Wealth Management assists its clients in developing an appropriate strategy for managing their assets. Clients’ investment portfolios are generally managed by either APS Wealth Management’s investment adviser representatives or an independent investment manager (collectively “Independent Managers”), as recommended or selected by APS Wealth Management. APS Wealth Management and/or the Independent Managers generally allocate clients’ assets among the various investment products available under the Program, as described further in Item 6 (below).

## *Investment Management Services*

APS Wealth Management manages client investment portfolios on a discretionary or non-discretionary basis. APS Wealth Management primarily allocates client assets among various mutual funds, exchange-traded funds (“ETFs”), individual debt and equity securities, and independent investment managers (“Independent Managers”) in accordance with their stated investment objectives.

Where appropriate, the Firm may also provide advice about any type of legacy position or other investment held in client portfolios. Clients may engage APS Wealth Management to manage and/or advise on certain investment products that are not maintained at their primary custodian, such as variable life insurance and annuity contracts and assets held in employer sponsored retirement plans and qualified tuition plans (i.e., 529 plans). In these situations, APS Wealth Management directs or recommends the allocation of client assets among the various investment options available with the product. These assets are generally maintained at the underwriting insurance company or the custodian designated by the product’s provider.

APS Wealth Management tailors its advisory services to meet the needs of its individual clients and seeks to ensure, on a continuous basis, that client portfolios are managed in a manner consistent with those needs and objectives. APS Wealth Management consults with clients on an initial and ongoing basis to assess their specific risk tolerance, time horizon, liquidity constraints and other related factors relevant to the management of their portfolios. Clients are advised to promptly notify APS Wealth Management if there are changes in their financial situation or if they wish to place any limitations on the management of their portfolios. Clients may impose reasonable restrictions or mandates on the management of their accounts if APS Wealth Management determines, in its sole discretion, the conditions would not materially impact the performance of a management strategy or prove overly burdensome to the Firm’s management efforts.

## *Use of Independent Managers*

As mentioned above, APS Wealth Management may select certain Independent Managers to actively manage a portion of its clients’ assets. The specific terms and conditions under which a client engages an Independent Manager may be set forth in a separate written agreement with the designated Independent Manager. In addition to this brochure, clients may also receive the written disclosure documents of the respective Independent Managers engaged to manage their assets.

APS Wealth Management evaluates a variety of information about Independent Managers, which may include the Independent Managers’ public disclosure documents, materials supplied by the Independent Managers themselves and other third-party analyses it believes are reputable. To the extent possible, the Firm seeks to assess the Independent Managers’ investment strategies, past performance and risk results in relation to its clients’ individual portfolio allocations and risk exposure. APS Wealth Management also takes into consideration each Independent Manager’s management style, returns, reputation, financial strength, reporting, pricing and research capabilities, among other factors.

APS Wealth Management continues to provide services relative to the discretionary or non-discretionary selection of the Independent Managers. On an ongoing basis, the Firm monitors the performance of those accounts being managed by Independent Managers. APS Wealth Management seeks to ensure the Independent Managers' strategies and target allocations remain aligned with its clients' investment objectives and overall best interests.

## **Fees for Participation in the Program**

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The Program is offered on a fee basis, meaning participants pay a single annualized fee based upon assets under management ("Program Fee"). This Program fee varies in accordance with the following chart based on the assets provided by the client for the Firm to manage:

<b><u>PORTFOLIO VALUE</u></b>	<b><u>BASE FEE</u></b>
Up to \$100,000	2.00%
\$100,001 - \$250,000	1.75%
\$250,001 - \$500,000	1.65%
\$500,001 - \$750,000	1.50%
\$750,001 - \$1,000,000	1.25%
\$1,000,001 - \$2,000,000	1.00%
\$2,000,001 - \$3,000,000	0.90%
\$3,000,001 - \$5,000,000	0.80%
Above \$5,000,000	Negotiable

The fee percentage described in the chart above is based on the net assets contributed to (or withdrawn from) the managed assets of the Firm. Appreciation or depreciation in the value of the assets is not factored into the fee percentage charged. Alternatively, in certain circumstances the Firm may negotiate a fixed fee for the investment management services. The annual Program Fee is prorated and charged monthly, in advance, based upon the market value of the assets being managed by APS Wealth Management on the last day of the previous billing period. If assets are deposited into or withdrawn from an account after the inception of a billing period, the Program Fee payable with respect to such assets is not adjusted to reflect the interim change in portfolio value. For the initial period of an engagement, the Program Fee is calculated on a *pro rata* basis. In the event the advisory agreement is terminated, the fee for the final billing period is prorated through the effective date of the termination and the outstanding or unearned portion of the Program Fee is charged or refunded to the client, as appropriate.

Additionally, for asset management services the Firm provides with respect to certain client holdings (e.g., held-away assets, accommodation accounts, alternative investments, etc.), APS Wealth Management may negotiate a fee rate that differs from the range set forth above.

## Fee Comparison

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As referenced above, a portion of the fees paid to APS Wealth Management are used to cover the securities brokerage commissions and transactional costs attributed to the management of its clients' portfolios, as well as the fees charged by the Independent Managers engaged to provide services under the Program.

Services provided through the Program may cost clients more or less than purchasing these services separately. The number of transactions made in clients' accounts, as well as the commissions charged for each transaction, determines the relative cost of the Program versus paying for execution on a per transaction basis and paying a separate fee for advisory services. Fees paid for the Program may also be higher or lower than fees charged by other sponsors of comparable investment advisory programs. Because the Firm pays for the brokerage fees, the Firm has an incentive to engage in less transactions, or transactions that cost less to the Firm.

## Fee Discretion

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APS Wealth Management may, in its sole discretion, negotiate to charge a lesser fee based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing/legacy client relationship, account retention and pro bono activities.

## Other Charges

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In addition to the advisory fees paid to APS Wealth Management, clients may also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions. These additional charges include fees for trades executed away from Schwab, mark-ups and mark-downs on fixed-income transactions, fees attributable to alternative assets, reporting charges, margin costs, charges imposed directly by a mutual fund or ETF in a client's account, as disclosed in the fund's prospectus (e.g., fund Program Fees and other fund expenses), fees and commission for assets not held with Schwab (such as 401(k) or 529 plan assets), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees.

## Direct Fee Debit

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Clients generally provide APS Wealth Management and/or certain Independent Managers with the authority to directly debit their accounts for payment of the investment advisory fees. The Financial Institutions that act as the qualified custodian for client accounts, from which the Firm retains the authority to directly deduct fees, have agreed to send statements to clients not less than quarterly detailing all account

transactions, including any amounts paid to APS Wealth Management. Alternatively, clients may elect to have APS Wealth Management send a separate invoice for direct payment.

## **Account Additions and Withdrawals**

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Clients may make additions to and withdrawals from their account at any time, subject to APS Wealth Management's right to terminate an account. Additions may be in cash or securities provided that the Firm 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 APS Wealth Management, subject to the usual and customary securities settlement procedures. However, APS Wealth Management designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. APS Wealth Management may consult with its clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, fees assessed at the mutual fund level (e.g., contingent deferred sales charge) and/or tax ramifications.

## **Compensation for Recommending the Program**

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APS Wealth Management has no internal arrangements in place whereby persons recommending the Program are entitled to receive additional compensation as a result of clients' participation. A person recommending the Program will not earn more compensation than he or she would otherwise receive if a client elected another investment management program.

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

APS Wealth Management offers services to individuals, pension and profit sharing plans, trusts, estates, corporations and business entities.

### **Minimum Account Requirements**

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APS Wealth Management does not impose a stated minimum fee or minimum portfolio value for starting and maintaining an investment management relationship. Certain Independent Managers may, however, impose more restrictive account requirements and billing practices from the Firm. In these instances, APS Wealth Management may alter its corresponding account requirements and/or billing practices to accommodate those of the Independent Managers.



## Item 6. Portfolio Manager Selection and Evaluation

Clients' investment portfolios are managed either directly by APS Wealth Management or through the use of certain Independent Managers, as referenced above.

### Side-By-Side Management

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APS Wealth Management does not provide any services for a performance-based fee (i.e., a fee based on a share of capital gains or capital appreciation of a client's assets).

### Methods of Analysis and Investment Strategies

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APS Wealth Management constructs investment portfolios using the combination of a customized Investment Policy Statement coupled with a top-down investment approach. Through a carefully designed Investment Policy Statement, individual clients and qualified retirement plan portfolios are constructed using a comprehensive analysis of the targeted goals and investment objectives. APS Wealth Management manages risk based investment models using Independent Managers, mutual funds and ETFs to capture asset class exposure to achieve an optimal blend of risk and return dedicated to the specific objectives of five separate risk models: Capital Preservation, Income with Moderate Growth, Moderate Growth, Growth and Aggressive Growth of capital. Certain portfolios may require a broader spectrum of security selection and tax management to achieve unique investment mandates and are custom designed using individual equities, individual bonds, ETFs, options and alternative investments.

APS Wealth Management's risk based portfolio models utilize regular asset rebalancing to maintain the targeted asset allocation within the risk based objectives.

APS Wealth Management implements its investment decisions through a committee based process focused on the application of fiduciary standards. An eleven point fiduciary scoring system under the fi360 fiduciary system is implemented on a quarterly basis and overlayed with the asset allocation modelling strategy outlined in the Firm's capital markets assumptions. The APS Wealth Management investment committee consists of an internal advisory group of personnel that meets quarterly to review the overall investment selection within the risk based model portfolios. Tactical selection is implemented across all model portfolios when a security is designated for replacement.

### Risk of Loss

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#### *Market Risks*

Investing involves risk, including the potential loss of principal, and all investors should be guided accordingly. The profitability of a significant portion of APS Wealth Management's recommendations

and/or investment decisions may depend to a great extent upon correctly assessing the future course of price movements of stocks, bonds and other asset classes. There can be no assurance that APS Wealth Management will be able to predict those price movements accurately or capitalize on any such assumptions.

## *Mutual Funds and 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 actual 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 potentially 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 20,000 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*

As stated above, APS Wealth Management may select certain Independent Managers to manage a portion of its clients' assets. In these situations, APS Wealth Management continues to conduct ongoing due diligence of such managers, but such recommendations rely to a great extent on the Independent Managers' ability to successfully implement their investment strategies. In addition, APS Wealth Management generally may not have the ability to supervise the Independent Managers on a day-to-day basis.

## Voting of Client Securities

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APS Wealth Management generally does not accept the authority to vote a client's securities (i.e., proxies) on their behalf. Clients receive proxies directly from the Financial Institutions where their assets are custodied and may contact the Firm at the contact information on the cover of this brochure with questions about any such issuer solicitations.

## Item 7. Client Information Provided to Portfolio Managers

In this Item, APS Wealth Management is required to describe the type and frequency of the information it communicates to the Independent Managers, if any, managing its clients' investment portfolios. Clients participating in the Program can grant APS Wealth Management the authority to discuss certain non-public information with the Independent Managers engaged to manage their accounts. Depending upon the specific arrangement, the Firm may be authorized to disclose various personal information including, without limitation: names, phone numbers, addresses, social security numbers, tax identification numbers and account numbers. APS Wealth Management may also share certain information related to its clients' financial positions and investment objectives in an effort to ensure that the Independent Managers' investment decisions remain aligned with its clients' best interests. This information is communicated on an initial and ongoing basis, or as otherwise necessary to the management of its clients' portfolios.

## Item 8. Client Contact with Portfolio Managers

In this Item, APS Wealth Management is required to describe any restrictions on clients' ability to contact and consult with the portfolio managers managing their investment portfolios. There are no restrictions on clients' ability to correspond with APS Wealth Management. Clients can request to contact the Independent Managers managing their portfolios through APS Wealth Management by providing the Firm with written request and identification of the questions or issues to be discussed with the Independent Managers. After receiving the client's written request, APS Wealth Management, at its sole discretion, may contact the Independent Managers for the client or arrange for the Independent Managers and the client to communicate directly. The Independent Manager may not agree to communicate directly with the client.

## Item 9. Additional Information

### Disciplinary Information

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APS Wealth Management has not been involved in any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of its management.

### Other Financial Industry Activities and Affiliations

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This item requires investment advisers to disclose certain financial industry activities and affiliations.

#### *Related Pension Consulting and Registered Investment Adviser*

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APS Wealth Management is under common control with APS Pension and Financial Services, Inc. ("APS Pension"). Certain Supervised Persons of APS Wealth Management also serve in the same or similar capacity for APS Pension. APS Pension caters to financial advisors and their clients in the areas of customized retirement plan design, third party retirement plan administration, and IRS/DOL compliance. APS Pension also caters to closely held businesses in the areas of third party retirement plan administration services, portfolio management, and succession planning solutions.

APS Pension offers the following services to financial advisors, certified public accountants, and their clients: i) qualified plan design proposals; ii) annual administration, including non-discrimination testing, 5500 submissions, etc.; iii) actuarial valuation and certification for defined benefit plans; iv) 401k group enrollment services and payroll integration; v) custom private label retirement plan newsletters and library content; and vi) design and administration of programs that are custom-crafted to their individual needs.

APS Wealth Management is also under common control with APS Investment Management, Inc., a New York registered investment adviser (CRD: 170572) ("APS Investment" and together with APS Pension, the "APS Affiliates"). APS Investment offers investment advice and other financial services to qualified retirement plan sponsors. APS Investment provides consulting and advisory services for employer sponsored retirement plans in accordance with the Employee Retirement Income Security Act ("ERISA").

It is expected that the APS Affiliates and APS Wealth Management will have clients in common. There is a conflict of interest where the APS Affiliates and APS Wealth Management recommend each other, either initially or on an ongoing basis. Clients are under no obligation to engage any of the APS firms.

#### *Licensed Insurance Agents*

A number of the Firm's Supervised Persons are licensed insurance agents and may offer certain insurance products on a fully-disclosed commissionable basis. A conflict of interest exists to the extent that APS

Wealth Management recommends the purchase of insurance products where its Supervised Persons may be entitled to insurance commissions or other additional compensation. The Firm has procedures in place whereby it seeks to ensure that all recommendations are made in its clients' best interest regardless of any such affiliations.

## Code of Ethics

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APS Wealth Management has adopted a code of ethics in compliance with applicable securities laws ("Code of Ethics") that sets forth the standards of conduct expected of its Supervised Persons. APS Wealth Management's Code of Ethics contains written policies reasonably designed to prevent certain unlawful practices such as the use of material non-public information by the Firm or any of its Supervised Persons and the trading by the same of securities ahead of clients in order to take advantage of pending orders.

The Code of Ethics also requires certain of APS Wealth Management's personnel to report their personal securities holdings and transactions and obtain pre-approval of certain investments (e.g., initial public offerings, limited offerings). However, the Firm's Supervised Persons are permitted to buy or sell securities that it also recommends to clients if done in a fair and equitable manner that is consistent with the Firm's policies and procedures. This Code of Ethics has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by certain personnel to be completed without any appreciable impact on the markets of such securities. Therefore, under limited circumstances, exceptions may be made to the policies stated below.

When the Firm is engaging in or considering a transaction in any security on behalf of a client, no Supervised Person with access to this information may knowingly effect for themselves or for their immediate family (i.e., spouse, minor children and adults living in the same household) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the Supervised Person is completed as part of a batch trade 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.

Clients and prospective clients may contact APS Wealth Management to request a copy of its Code of Ethics.

## **Account Reviews**

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APS Wealth Management monitors client portfolios on a continuous and ongoing basis while regular account reviews are conducted on at least a quarterly basis. Such reviews are conducted by the Firm's investment adviser representatives and the Chief Investment Officer. All investment advisory clients are encouraged to discuss their needs, goals and objectives with APS Wealth Management and to keep the Firm informed of any changes thereto. The Firm contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and quarterly to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

## **Account Statements and General Reports**

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Clients are provided with transaction confirmation notices and regular summary account statements directly from the Financial Institutions where their assets are custodied. From time-to-time or as otherwise requested, clients may also receive written or electronic reports from APS Wealth Management and/or an outside service provider, which contain certain account and/or market-related information, such as an inventory of account holdings or account performance. Clients should compare the account statements they receive from their custodian with any documents or reports they receive from APS Wealth Management or an outside service provider.

## **Client Referrals**

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The Firm does not currently provide compensation to any third-party solicitors for client referrals.

## **Receipt of Economic Benefit and Brokerage Practices**

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APS Wealth Management requires that clients utilize the custody, brokerage and clearing services of Schwab for investment management accounts in the Program. APS Wealth Management is independently owned and operated and not affiliated with Schwab. Schwab provides APS Wealth Management with access to its institutional trading and custody services, which are typically not available to retail investors. APS Wealth Management does not consider, in selecting or recommending broker-dealers, whether the Firm receives client referrals from the Financial Institutions or other third party.

Factors which APS Wealth Management considers in recommending Schwab or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. Schwab has also agreed to reimburse clients for exit fees associated with moving accounts to Schwab. Fees are reimbursed on a first-come-first-served basis so that no clients are favored.

In seeking best execution in recommending Schwab, 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 Schwab's services, including among others, the value of research provided, execution capability, commission rates and responsiveness.

Consistent with obtaining best execution, brokerage transactions are directed to certain broker-dealers in return for investment research products and/or services which assist APS Wealth Management in its investment decision-making process. Such research will be used to service all of the Firm's clients. 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 APS Wealth Management does not have to produce or pay for the products or services. APS Wealth Management periodically and systematically reviews its policies and procedures regarding its recommendation of Financial Institutions in light of its duty to obtain best execution.

APS Wealth Management receives without cost from Schwab administrative support, computer software, related systems support, as well as other third party support as further described below (together "Support") which allow APS Wealth Management to better monitor client accounts maintained at Schwab and otherwise conduct its business. APS Wealth Management receives the Support without cost because the Firm renders investment management services to clients that maintain assets at Schwab. The Support is not provided in connection with securities transactions of clients (i.e., not "soft dollars"). The Support benefits APS Wealth Management, but not its clients directly. Clients should be aware that APS Wealth Management's receipt of economic benefits such as the Support 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. In fulfilling its duties to its clients, APS Wealth Management endeavors at all times to put the interests of its clients first and has determined that the recommendation of Schwab is in the best interest of clients and satisfies the Firm's duty to seek best execution.

Specifically, APS Wealth Management receives the following benefits from Schwab: i) receipt of duplicate client confirmations and bundled duplicate statements; ii) access to a trading desk that exclusively services its institutional traders; iii) access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and iv) access to an electronic communication network for client order entry and account information.

In addition, the Firm receives funds to be used toward qualifying third-party service providers for research, marketing, compliance, technology and software platforms and services. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as the Firm has a certain amount of clients' assets maintained in accounts at Schwab Advisor Services. Schwab's services include brokerage services that are related to the execution of securities transactions, custody, research, including that in the form of advice, analyses and reports, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.



In addition, the Firm receives funds to be used toward qualifying third-party service providers for research, marketing, compliance, technology and software platforms and services. These funds are available upon hitting specific thresholds of new assets added to Schwab during an initial twelve month period.

Schwab also makes available to the Firm other products and services that benefit the Firm but may not benefit its clients' accounts. These benefits may include national, regional or Firm specific educational events organized and/or sponsored by Schwab. Other potential benefits may include occasional business entertainment of personnel of APS Wealth Management by Schwab personnel, including meals, invitations to sporting events, including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities. Other of these products and services assist APS Wealth Management in managing and administering clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of the Firm's fees from its clients' accounts, and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of the Firm's accounts, including accounts not maintained at Schwab. Schwab also makes available to APS Wealth Management other services intended to help the Firm manage and further develop its business enterprise. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance and marketing. In addition, Schwab may make available, arrange and/or pay vendors for these types of services rendered to the Firm by independent third parties. Schwab may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to the Firm. While, as a fiduciary, APS Wealth Management endeavors to act in its clients' best interests, the Firm's recommendation that clients maintain their assets in accounts at Schwab may be based in part on the benefits received and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which creates a potential conflict of interest.

As described herein, the Firm's management services are provided through the Program where the client does not pay separately for brokerage commissions. Schwab's pricing to the Firm for brokerage services is based partially on client holdings in types of investments, including cash and cash equivalents. This results in a conflict of interest to the Firm since there is an incentive to use such investments for the Firm to secure a lower fee from Schwab which would benefit the Firm, but not the client.

### **Trade Aggregation**

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Transactions for each client will be effected independently, unless APS Wealth Management decides to purchase or sell the same securities for several clients at approximately the same time. APS Wealth



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 be averaged as to price and allocated among APS Wealth 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 APS Wealth Management’s Supervised Persons may invest, the Firm 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. APS Wealth 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 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.

## Financial Information

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APS Wealth Management is not required to disclose any financial information 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 of services rendered;
- 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.