



## **ADV Part 2A, Firm Brochure**

**Dated: April 14, 2020**

### **Mercadien Asset Management, LLC**

SEC File #: 801-61651

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This Brochure provides information about the qualifications and business practices of Mercadien Asset Management, L.L.C. If you have any questions about the contents of this Brochure, please contact us at 609-689-2318 or [kk@mercadien.com](mailto:kk@mercadien.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Mercadien Asset Management, L.L.C. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

References herein to Mercadien Asset Management, L.L.C. as a "registered investment adviser" or any reference to being "registered" does not imply a certain level of skill or training.

## **Item 2        Material Changes**

There have been no material changes to this ADV Part 2A, Firm Brochure since the most recent Annual Amendment filing on March 13, 2019.

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## Item 4      **Management Business**

- A.      Mercadien Asset Management, LLC (“Registrant”) is a New Jersey limited liability company formed in August 2000, and headquartered in Hamilton, New Jersey. Registrant has been registered as an investment adviser with the Securities and Exchange Commission since December 2002. The Registrant is principally owned by: The Mercadien Group, LLC; and Kenneth A. Kamen, who serves as Registrant’s President and Chief Compliance Officer.
- B.      As discussed below in this, the Registrant provides its clients (i.e., individuals, pension and profit sharing plans, trusts, and business entities) with investment management and financial planning services.

### **INVESTMENT MANAGEMENT**

The client can engage the Registrant to provide discretionary investment management services on a wrap fee basis. Before engaging the Registrant to provide investment management services, clients are required to enter into an *Investment Management Agreement* with the Registrant setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the fee that is due from the client.

Registrant’s annual investment management fee shall include investment advisory services and limited financial planning and consulting services. In the event that the client requires extraordinary financial planning and/or consulting services (to be determined in the sole discretion of Registrant), Registrant may determine to charge for such services on a stand-alone basis under the terms and conditions of a separate *Financial Planning and Consulting Agreement* (see below).

After execution of the *Investment Management Agreement*, an investment adviser representative will ascertain each client’s investment objectives. Thereafter, the Registrant will allocate and/or recommend that the client allocate investment assets consistent with the designated investment objectives. Registrant primarily allocates or recommends that its clients allocate investment management assets among various individual debt and/or equity securities, mutual funds, and exchange traded funds (“ETFs”).

For those clients that require an enhanced and/or specialized level of investment management services, Registrant may also recommend that such clients authorize the Registrant to allocate, on a non-discretionary basis, the active discretionary management of a portion of their assets by and/or among certain independent investment manager[s] to be selected by the Registrant (the “Independent Manager(s)”) including Independent Managers in conjunction with the services provided by RBC Correspondent Services. The Registrant shall continue to render management services to the client relative to the ongoing monitoring and review of account performance, client investment objectives and asset allocation, for which Registrant shall receive an annual management fee which is based upon a percentage of the market value of the assets being

managed by the designated Independent Manager(s). Factors which the Registrant shall consider in selecting Independent Manager(s) include the client's stated investment objective(s), management style, performance, financial strength, reporting, pricing, and research. The investment management fees charged by the designated Independent Manager(s), together with the fees charged by the corresponding designated broker-dealer/custodian of the client's assets, are exclusive of, and in addition to, Registrant's ongoing investment management fee.

The Registrant will enroll clients whose assets are allocated among various individual debt and/or equity securities and/or among certain participating Independent Managers in Registrant's proprietary asset management wrap fee program (the "Wrap Program") for implementation of Registrant's investment recommendations on a fee basis.

Clients participating in the Wrap Program shall receive, for a single specified fee: (1) active discretionary investment management services; (2) ongoing monitoring and review of account performance, client investment objectives and asset allocation from Registrant; (3) execution of brokerage transactions effected by the Independent Manager(s) through Registrant's affiliated SEC registered and FINRA member broker-dealer Mercadien Securities, LLC, an SEC registered and FINRA member broker-dealer clearing through RBC Correspondent Services ("Mercadien Securities") and (4) account custodial/clearing services through RBC Correspondent Services Corporation, an SEC registered and FINRA member broker-dealer.

**Please Note:** As sponsor of the Wrap Program, the Registrant has a financial incentive to recommend participation in the Wrap Program over other programs or services. As indicated in the Wrap Fee Program Brochure, participation in the Wrap Program may cost more or less than purchasing such services separately. In addition, the fees charged by Registrant for participation in the Wrap Program may be higher or lower than those charged by other sponsors of comparable wrap fee programs.

Those clients accounts are maintained at RBC Correspondent Services, may also participate in a RBC Correspondent Services-sponsored wrap fee program (the "Resource II Program"). The full terms and conditions of the Resource II Program shall be disclosed in the sponsor's Wrap Fee Brochure, a copy of which shall be presented to each prospective participating client. The Resource II Program fee includes investment management services (i.e., from the Registrant and the Independent Manager(s)), the execution of brokerage transactions, custodial services and reporting services. Resource II Program transactions will be executed through Mercadien Securities, Registrant's affiliated SEC registered and FINRA member broker-dealer, resulting in the commission portion of the Resource II Program fee being paid to Mercadien Securities, and thereby creating a conflict of interest (see below for more information concerning the execution of brokerage transactions).

## **FINANCIAL PLANNING**

To the extent requested by a client, the Registrant may also provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone separate fee basis.

Before engaging the Registrant to provide stand-alone planning or consulting services, clients are required to enter into a *Financial Planning and Consulting Agreement* with Registrant setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client before Registrant commences services. If requested by the client, Registrant may recommend the services of other professionals for implementation purposes Registrant's representatives in his/her individual capacity as a registered representative of a broker-dealer. (See disclosures at Item 5E and 10C below). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant.

**Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional.

**Please Also Note:** It remains the client's responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

## **RETIREMENT PLAN CONSULTING**

Registrant provides non-discretionary retirement plan consulting services, pursuant to which it assists sponsors of self-directed retirement plans and defined benefit plans with the selection and/or monitoring of investment alternatives from which plan participants choose in self-directing the investments for their individual plan retirement accounts. In addition, to the extent requested by the plan sponsor, Registrant will also provide participant education designed to help plan participants identify the appropriate investment strategy for their retirement plan accounts. The terms and conditions of the engagement including the scope of services to be provided and the fee arrangement shall be set forth in a *Retirement Plan Consulting Agreement* between Registrant and the plan sponsor.

## **MISCELLANEOUS**

**Client Obligations.** In performing its services, Registrant shall not be required to verify any information received from the client or from the client's other designated professionals, and is expressly authorized to rely thereon. The client is free to accept or reject any recommendation made by the Registrant. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify the Registrant: if there is ever any change in his/her/its

financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services; or if he/she/it seeks to impose any reasonable restrictions upon Registrant's management services.

**Disclosure Statement.** A copy of this ADV Part 2A or ADV Part 2A, Appendix 1 (as applicable) shall be provided to each client prior to or at the time of signing the *Investment Management Agreement* or *Financial Planning Agreement*.

**Retirement Plan Rollovers-No Obligation/Conflict of Interest:** Clients are under absolutely no obligation to engage Registrant as the investment adviser for his/her employer-sponsored retirement account(s). Rather, clients can continue to self-direct such retirement account(s). However, if a client determines that he/she would like Registrant's assistance in managing his/her retirement account, Registrant shall charge a separate and additional advisory fee for ongoing advisory services, which clients would not incur by continuing to self-direct the retirement account. As a result, any recommendation by Registrant that clients engage Registrant to manage an otherwise self-directed retirement account presents a conflict of interest. Again, clients are under absolutely no obligation to engage Registrant as the investment adviser for his/her retirement account. **Registrant's Chief Compliance Officer, Kenneth Kamen, remains available to address any questions that a client or prospective client may have regarding its prospective engagement and the corresponding conflict of interest presented by such engagement.**

**Fee Differentials.** As indicated below, Registrant shall price its services based upon various objective and subjective factors. In certain circumstances, Registrant, in its sole discretion, may charge a different fee (higher or lower) to its clients based upon certain criteria such as: the market value of the assets under management, the complexity of the engagement, the level and scope of the overall investment advisory and/or consulting services to be rendered. As a result of these factors, the services to be provided by the Registrant to any particular client could be available from other advisers at lower fees. All clients and prospective clients should be guided accordingly.

- C. The Registrant provides investment management services specific to the needs of each client. Before providing investment management services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, the Registrant will allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at anytime, impose reasonable restrictions, in writing, on the Registrant's services.
- D. The Registrant only provides investment management services on a wrap fee basis. As stated above, if a client determines to engage the Registrant on a wrap fee basis the client will pay a single fee for bundled services (i.e. investment management, brokerage, and custody.) The services included in a wrap fee agreement will depend upon each client's particular need. If the Registrant offered investment management services on a non-wrap fee basis (which it does not)

the client would select individual services on an unbundled basis, paying for each service separately (i.e. investment management, brokerage, and custody).

**Please Note:** When managing a client's account on a wrap fee basis, the Registrant shall receive as payment for its investment management services, the balance of the wrap fee after all other costs incorporated into the wrap fee have been deducted. In addition, the fees charged for participation in the Wrap Program may be higher or lower than those charged by other sponsors of comparable wrap fee programs.

- E. As of March 31, 2020 the Registrant had approximately \$162,000,000 in assets under management on a discretionary basis.

## **Item 5 Fees and Compensation**

- A. The client can engage Registrant to provide discretionary investment management services on a wrap fee basis and/or financial planning and consulting services as described below.

### **INVESTMENT MANAGEMENT**

The services offered under, and the corresponding terms and conditions pertaining to the Wrap Program are discussed in the Wrap Fee Program Brochure, a copy of which is presented to all prospective participants.

Under the Wrap Program, Registrant is able to offer participants discretionary investment management services for a single specified annual fee, inclusive of trade execution, custody, reporting, and investment management fees. The negotiable annual fee is based upon a percentage (%) of the total market value and type of assets placed under management, generally between 0.25% and 2.00%, which shall be based upon various objective and subjective factors, including, but not limited to: the amount of the assets placed under Registrant's direct management, the complexity of the engagement, and the level and scope of the overall investment advisory services to be rendered. Registrant's annual investment management fee (and the Resource II Program fee) shall be prorated and debited quarterly, in advance, based upon the market value of the assets on the last day of the previous quarter.

Participation in the Wrap Program and/or Resource II Program may cost more or less than purchasing such services separately. In addition, the fees charged for participation in the Wrap Program and/or Resource II Program may be higher or lower than those charged by other sponsors of comparable wrap fee programs.

## **FINANCIAL PLANNING**

The Registrant may determine to provide financial planning and/or consulting services (including investment and non-investment related matters, estate planning, insurance planning, etc.) on a stand-alone fee basis. Registrant's financial planning fees are negotiable, but generally range from \$500.00 to \$25,000.00 on a fixed fee basis and from \$200.00 to \$400.00 on an hourly rate basis, depending upon the level and scope of the services required, and the professional rendering the service(s). Fees incurred on an hourly rate basis will generally be billed upon completion of the engagement as defined in the Financial Planning Agreement. In the event the client terminates Registrant's financial planning and/or consulting services, the unearned balance of Registrant's fee, if any, shall be refunded to the client.

## **RETIREMENT PLAN CONSULTING**

Registrant charges a negotiable annual fee for retirement plan consulting services which generally ranges between 0.50% and 1.00% of plan assets depending on the services requested and the size of the plan. In certain limited circumstances, Registrant may negotiate a fixed fee arrangement for larger retirement plans that equate to less than 0.50% of plan assets. The terms and conditions of the engagement including the scope of services to be provided and the fee arrangement shall be set forth in a Retirement Plan Consulting Agreement between Registrant and the plan sponsor.

- B. Clients may elect to have the Registrant's management fees deducted from their custodial account. Registrant's *Investment Management Agreement* and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of the Registrant's investment management fee and to directly remit that management fee to the Registrant in compliance with regulatory procedures. In the limited event that the Registrant bills the client directly, payment is due upon receipt of the Registrant's invoice.
- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, the Registrant shall generally recommend that Mercadien Securities serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as Mercadien Securities charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). Clients who engage the Registrant on a wrap fee basis will not incur these broker-dealer fees in addition to the Registrant's wrap fee. However, in addition to Registrant's wrap fee, all clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).
- D. Registrant's annual investment management fee shall be pro-rated and paid quarterly, in advance, based upon the market value of the assets on the last day of the previous quarter. The Registrant generally requires a \$2,500.00 minimum fee and a \$250,000 account minimum for



investment management services. Registrant, in its sole discretion, may reduce or waive the minimum fee and/or account minimum based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, type of services required, account composition, negotiations with client, etc.). The *Investment Management Agreement* between the Registrant and the client will continue in effect until terminated by either party by written notice in accordance with the terms of such Agreement. Upon termination, the Registrant shall refund the pro-rated portion of the advanced management fee paid based upon the number of days remaining in the billing quarter.

E. **Securities Commission Transactions.** In the event that the client desires, the client can engage certain of Registrant's representatives, in their individual capacities as registered representatives of Mercadien Securities, to implement investment recommendations on a fully-disclosed commission basis. In the event the client chooses to purchase investment products through Mercadien Securities, brokerage commissions will be charged by Mercadien Securities to effect securities transactions, a portion of which commissions shall be paid by Mercadien Securities to the applicable representative(s). The brokerage commissions charged by Mercadien Securities may be higher or lower than those charged by other broker-dealers. In addition, Mercadien Securities, as well as the applicable representative(s), relative to commission mutual fund purchases, may also receive additional ongoing 12b-1 trailing commission compensation directly from the mutual fund company during the period that the client maintains the mutual fund investment.

1. **Conflict of Interest:** The recommendation that a client purchase a commission product from Mercadien Securities presents a **conflict of interest**, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from Registrant's representatives. The Registrant's Chief Compliance Officer, Kenneth Kamen, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.
2. **Please Note:** Clients may purchase investment products recommended by Registrant through other, non-affiliated broker dealers or agents.
3. The Registrant does not receive more than 50% of its revenue from advisory clients as a result of commissions or other compensation for the sale of investment products the Registrant recommends to its clients.
4. When Registrant's representatives sell an investment product on a commission basis, the Registrant does not charge a management fee in addition to the commissions paid by the client for such product. When providing services on a management fee basis, the Registrant's representatives do not also receive commission compensation for such advisory services (except for any ongoing 12b-1 trailing commission compensation that may be

received as previously discussed). However, a client may engage the Registrant to provide investment advisory services on a management fee basis and separate from such advisory services purchase an investment product from Registrant's representatives on a separate commission basis.

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

Neither Registrant nor any supervised person of the Registrant accepts performance-based fees (fees based on a share of capital gains on or capital appreciation of the client's assets).

## **Item 7          Types of Clients**

Registrant's clients generally include individuals, high net worth individuals, pension and profit sharing plans charitable organizations, and other business entities.

The Registrant generally requires a \$2,500.00 minimum fee and a \$250,000 account minimum for investment management services. Registrant, in its sole discretion, reduce or waive the minimum fee and/or account minimum based upon certain criteria (i.e., a pre-existing client of Mercadien, P.C., CPAs, anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, type of services required, account composition, negotiations with client, etc.) If applicable, client accounts may also be subject to minimum requirements imposed by Independent Manager(s) and mutual funds.

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

A.      The Registrant may utilize the following methods of security analysis:

- Charting - (analysis performed using patterns to identify current trends and trend reversals to forecast the direction of prices);
- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts);
- Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices); and
- Cyclical – (analysis performed on historical relationships between price and market trends, to forecast the direction of prices).

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

- Long Term Purchases (securities held at least a year);
- Short Term Purchases (securities sold within a year).

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

- B. The Registrant's methods of analysis and investment strategies do not present any significant or unusual risks. However, every method of analysis has its own inherent risks. To perform an accurate market analysis the Registrant must have access to current/new market information. The Registrant has no control over the dissemination rate of market information; therefore, unbeknownst to the Registrant, certain analyses may be compiled with outdated market information, severely limiting the value of the Registrant's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

The Registrant's primary investment strategies - Long Term Purchases and Short Term Purchases- are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer-term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy.

- C. Currently, the Registrant primarily recommends that its clients allocate investment management assets in accordance with each client's designated investment objective(s), among various individual debt and/or equity securities, mutual funds, ETFs or unaffiliated Independent Managers in accordance with the client's designated investment objectives. Depending upon a client's specific circumstances and investment objectives, the Registrant generally allocates the investment assets of smaller accounts among mutual funds.

## **Item 9      Disciplinary Information**

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

## Item 10 Other Financial Industry Activities and Affiliations

- A. As disclosed above in Item 5.E, certain of Registrant's representatives are also registered representatives of Mercadien Securities.
- B. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. **Broker-Dealer.** As disclosed above, certain of Registrant's representatives are also registered representatives of Mercadien Securities, Registrant's affiliated SEC registered and FINRA member broker. Clients can choose to engage those representatives in his/her individual capacities to effect securities brokerage transactions on a commission basis.

**Conflict of Interest.** The recommendation by Registrant or its representatives that a client purchase a securities commission product from Mercadien Securities presents a **conflict of interest**, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any securities commission products from Registrant's representatives. **The Registrant's Chief Compliance Officer, Kenneth Kamen, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

**Certified Public Accountant.** Registrant does not render accounting advice nor tax preparation services to its clients. Rather, to the extent that a client requires accounting advice and/or tax preparation services, Registrant, if requested, will recommend the services of a certified public accountant, all of which services shall be rendered independent of the Registrant pursuant to a separate agreement between the client and the certified public accountant. Mercadien, P.C., CPAs, is a certified public accounting firm principally located in Hamilton, New Jersey, which is affiliated with the Registrant. Certain members of Mercadien, P.C., CPAs, indirectly, relative to their respective ownership interests in The Mercadien Group, LLC, the seventy five percent (75%) owner of the Registrant, shall be entitled to receive ownership distributions from the Registrant.

To the extent that Mercadien, P.C., CPAs provides accounting and/or tax preparation services to any clients, including clients of the Registrant, all such services shall be performed by Mercadien, P.C., CPAs, in its separate professional capacity, independent of the Registrant, for which services Registrant shall not receive any portion of the fees (referral or otherwise).

It is also expected that the members of Mercadien, P.C., CPAs, solely incidental to their respective practices as CPAs, shall recommend the Registrant's services to certain of Mercadien,

P.C., CPAs' clients. Mercadien, P.C., CPAs shall not currently receive any referral fees from the Registrant. Mercadien, P.C., CPAs is not involved in providing investment advice on behalf of the Registrant, nor does Mercadien, P.C., CPAs hold itself out as providing management services on behalf of the Registrant.

**Conflict of Interest.** The recommendation by Registrant that a client engage Mercadien, P.C., CPAs or its representatives in their capacities as Certified Public Accountants presents a conflict of interest, as Registrant could have the incentive to make such a recommendation based on funds received, rather than on a particular client's need. No client is under any obligation to engage Mercadien, P.C., CPAs or its representatives in such a capacity and clients are reminded that they may engage other non-affiliated Certified Public Accountants. **The Registrant's Chief Compliance Officer, Kenneth Kamen, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

**Insurance Agency.** The Mercadien Group, which is the 75% owner of Registrant, is also the sole member and owner of Mercadien Insurance Services, LLC, a New Jersey licensed insurance agency ("Mercadien Insurance"). To the extent that clients of the Registrant determine to engage the services of Mercadien Insurance, Registrant shall not receive any portion of the insurance commissions paid to Mercadien Insurance. Accordingly, Registrant's relationship with Mercadien Insurance is not material to its management business.

**Conflict of Interest.** The recommendation by Registrant or its representatives that a client purchase an insurance product from Mercadien Insurance presents a **conflict of interest**, as the receipt of fees generated may provide an incentive to recommend insurance products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any insurance products from Mercadien Insurance. **The Registrant's Chief Compliance Officer, Kenneth Kamen, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

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

## **Item 11 Code of Ethics**

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

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

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

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

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

## **Item 12      Brokerage Practices**

- A. If a client requests that the Registrant recommend a broker-dealer/custodian for execution and/or custodial services, Registrant generally recommends that investment management accounts be maintained at Mercadien Securities, an affiliated SEC registered and FINRA member broker-dealer clearing through RBC Correspondent Services. Before engaging Registrant to provide investment advisory services, the client will be required to enter into a formal *Investment Management Agreement* with Registrant setting forth the terms and conditions

under which Registrant shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/ custodian.

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

1. Research and Additional Benefits

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Registrant may receive from Mercadien Securities (or another broker-dealer/custodian, investment platform, unaffiliated investment manager, and/or mutual fund sponsor) without cost (and/or at a discount) support services and/or products, certain of which assist Registrant to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by Registrant may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Registrant in furtherance of its investment advisory business operations.

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

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at Mercadien Securities as a result of this arrangement. There is no

corresponding commitment made by Registrant to Mercadien Securities or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement. Registrant's **The Registrant's Chief Compliance Officer, Kenneth Kamen, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.**

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

**Please Note:** In the event that the client directs Registrant to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Registrant. **The Registrant's Chief Compliance Officer, Kenneth Kamen, remains available to address any questions that a client or prospective client may have regarding the above arrangement.**

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



## Item 13      Review of Accounts

- A. For those clients to whom Registrant provides investment supervisory services, account reviews are conducted on an ongoing basis by the Registrant's investment adviser representatives. All investment supervisory clients are advised that it remains their responsibility to advise the Registrant of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with the Registrant on an annual basis.
- B. The Registrant may conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance.

## Item 14      Client Referrals and Other Compensation

- A. As referenced in Item 12.A.1 above, Registrant may receive an indirect economic benefit from Mercadien Securities. Registrant, without cost (and/or at a discount), may receive support services and/or products from Mercadien Securities (or another broker-dealer/custodian, investment platform, unaffiliated investment manager, and/or mutual fund sponsor).

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at Mercadien Securities or any other entity as a result of this arrangement. There is no corresponding commitment made by Registrant to Mercadien Securities or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

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

- B. If a client is introduced to Registrant by either an unaffiliated or an affiliated solicitor, Registrant may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from Registrant's investment management fee, and shall not result in any additional charge to the client. If the client is introduced to Registrant by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of his/her/its solicitor relationship, and shall provide each prospective client with a copy of

Registrant's written Brochure with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between Registrant and the solicitor, including the compensation to be received by the solicitor from Registrant.

## **Item 15      Custody**

Registrant shall have the ability to have its management fee for each client debited by the custodian on a quarterly basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. Registrant may also provide a written periodic report summarizing account activity and performance.

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

**Please Also Note: Custody Situations:** Registrant engages in other practices and/or services on behalf of its clients that require disclosure at the ADV Part 1, Item 9 (Custody) which practices and/or services are subject to an annual surprise CPA examination in accordance with the requirements of Rule 206(4)-2 under the Investment Advisers Act of 1940.

## **Item 16      Investment Discretion**

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

## **Item 17      Voting Client Securities**

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

## **Item 18      Financial Information**

- A.      Registrant does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B.      Registrant is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C.      Registrant has not been the subject of a bankruptcy petition.

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