

# Edge Wealth Management, LLC

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ADV Part 2A, Brochure

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This Brochure provides information about the qualifications and business practices of Edge Wealth Management, LLC. If you have any questions about the contents of this Brochure, please contact us at (212) 682-0133 or [matthew.weinberg@edgewealth.com](mailto:matthew.weinberg@edgewealth.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 Edge Wealth Management, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

References herein to Edge Wealth Management, LLC 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 made to this ADV Part 2A Brochure since the January 30, 2019 annual update filing.

Edge Wealth Management, LLC's Chief Compliance Officer, Matthew Weinberg, remains available to address any questions about this Brochure.

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#### **Item 4            Advisory Business**

- A. Edge Wealth Management, LLC (the “Registrant”) is a New York limited liability company formed in October 2006. The Registrant became registered as an investment adviser in December 2006. The Registrant is principally owned by Matthew Weinberg and Douglas Spitz. Matthew Weinberg is the Registrant’s Managing Member.
- B. As discussed below, the Registrant offers to its clients (individuals, trusts, estates and charitable organizations, etc.) investment advisory services on a discretionary basis. The Registrant may provide limited financial planning and consulting services to its investment advisory clients regarding investment and non-investment related matters that are generally ancillary to the investment management process.

#### **INVESTMENT ADVISORY SERVICES**

The client can determine to engage the Registrant to provide discretionary investment advisory services on a fee basis. The Registrant’s annual investment advisory fee shall be based upon a percentage (%) of the market value of the assets placed under management. Before engaging the Registrant to provide investment advisory services, clients are required to enter into an Investment Advisory 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 fee that is due from the client.

Registrant’s annual investment advisory fee compensates for investment advisory services, and limited financial planning and consulting services that are ancillary to the investment management process. These limited financial planning and consulting services may include the preparation of: cash flow and net worth statements, risk tolerance analyses, retirement needs analyses, Monte Carlo analyses, 401(k) / retirement plan asset allocation analyses, and educational funding analyses.

To begin the investment advisory engagement, an investment adviser representative will first coordinate with the client to develop investment objectives. The Registrant will then allocate the client’s investment assets consistent with the designated investment objectives. Once allocated, the Registrant provides ongoing monitoring and review of account performance and asset allocation as compared to client investment objectives, and may periodically execute account transactions based on those reviews or other triggering events.

#### **MISCELLANEOUS**

Limitations of Financial Planning and Consulting / Non-Investment Implementation Services. To the extent specifically requested by the client, the Registrant may provide limited financial planning and consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Neither the Registrant, nor any of its representatives, serves as an attorney or accountant, and no portion of the Registrant’s services should be construed as legal or accounting services. Unless specifically agreed in writing, neither Registrant nor its representatives are responsible to implement financial planning or consulting advice or provide ongoing monitoring of financial planning and consulting advice. The client is solely responsible to revisit that

advice with Registrant, if desired. Upon specific client request, the Registrant may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.), including Registrant's representative, Brett Rosen, in his separate individual capacity as a licensed insurance agent as discussed in Item 10.C. below. The recommendation that a client purchase an insurance product through Mr. Rosen presents a conflict of interest, because it could be made based upon commissions to be received rather than a client's particular need. When Mr. Rosen sells an insurance product on a commission basis, the Registrant does not charge an advisory fee in addition to the commissions paid by the client for such product. Further, clients are under no obligation to engage the services of any recommended professional, who shall be solely responsible for the quality and competency of the services they provide. If the client engages any unaffiliated recommended professional, and a dispute arises related to the engagement, the client should seek recourse exclusively from and against the engaged professional. The client retains absolute discretion over all financial planning and consulting / non-investment implementation decisions, and is free to accept or reject any recommendation from the Registrant in that respect.

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

Retirement Plan Rollovers – No Obligation / Conflict of Interest. A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If the Registrant recommends that a client roll over their retirement plan assets into an account to be managed by the Registrant, such a recommendation creates a conflict of interest if the Registrant will earn a new (or increase its current) advisory fee as a result of the rollover. No client is under any obligation to roll over retirement plan assets to an account managed by Registrant. The Registrant's Chief Compliance Officer, Matthew Weinberg, remains available to address any questions that a client or prospective client may have regarding the conflict of interest presented by such a rollover recommendation.

Asset Aggregation / Reporting Services. Registrant may provide clients access to reporting services through one or more third-party aggregation / reporting platforms that can reflect all of the client's investment assets, including those investment assets that the client has not engaged the Registrant to manage (the "Excluded Assets"). Registrant's service for the Excluded Assets is strictly limited to reporting, and specifically excludes investment management or implementation. Because Registrant does not have trading authority for the Excluded Assets, the client (and/or another investment professional), and not Registrant, shall be exclusively responsible for directly implementing any recommendations for the Excluded Assets. Further, the client and/or their other advisors that maintain trading authority, and not Registrant, shall be exclusively responsible for the investment performance or related activity (such as timing and trade errors) pertaining to the Excluded Assets. The third-party aggregation / reporting platforms may also

provide access to financial planning information and applications, which should not be construed as services, advice, or recommendations provided by Registrant. Accordingly, Registrant shall not be held responsible for any adverse results a client may experience if the client engages in financial planning or other functions available on the third party reporting platforms without Registrant's participation or oversight.

Availability of Mutual Funds and Exchange Traded Funds. While the Registrant may recommend allocating investment assets to mutual funds and exchange traded funds ("ETFs") that are not available directly to the public, the Registrant may also recommend that clients allocate investment assets to publically-available mutual funds and ETFs that the client could obtain without engaging Registrant as an investment advisor. However, if a client or prospective client determines to allocate investment assets to publically-available mutual funds and ETFs without engaging Registrant as an investment advisor, the client or prospective client would not receive the benefit of Registrant's initial and ongoing investment advisory services.

Cash Positions. Depending upon perceived or anticipated market conditions/events (there being no guarantee that such anticipated market conditions/events will occur), the Registrant may maintain cash and cash equivalent positions (such as money market funds) for defensive and liquidity purposes. Unless otherwise agreed in writing, all such cash positions are included as part of assets under management for purposes of calculating the Registrant's advisory fee.

Portfolio Trading Activity. As part of its investment advisory services, Registrant will review client portfolios on an ongoing basis to determine if any trades are necessary based upon various factors, including but not limited to investment performance, account additions/withdrawals, the client's financial circumstances, and changes in the client's investment objectives. Based upon these and other factors, there may be extended periods of time when Registrant determines that trades within a client's portfolio are neither necessary nor prudent. Clients nonetheless remain subject to the fees described in Item 5 during periods of portfolio trading inactivity.

Disclosure Statement. A copy of the Registrant's written Brochure as set forth on Part 2 of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the Investment Advisory Agreement.

- C. The Registrant shall provide investment advisory services specifically tailored to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objectives. Thereafter, the Registrant shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objectives. The client may, at any time, impose reasonable restrictions, in writing, on the Registrant's services.
- D. The Registrant does not participate in a wrap fee program.
- E. As of December 31, 2019, the Registrant had \$933,616,108 in assets under management on a discretionary basis.

## Item 5 Fees and Compensation

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

### **INVESTMENT ADVISORY SERVICES**

The client can determine to engage the Registrant to provide discretionary investment advisory services on a fee basis. The Registrant's annual investment advisory fee shall be based upon a percentage (%) of the market value of the assets placed under the Registrant's management (between 0.25% and 1%) in accordance with the fee schedule annexed to the Investment Advisory Agreement between the Registrant and the client.

The Registrant's investment advisory fee is negotiable at Registrant's discretion, depending upon objective and subjective factors including but not limited to: the amount of assets to be managed; portfolio composition; the scope and complexity of the engagement; the anticipated number of meetings and servicing needs; related accounts; future earning capacity; anticipated future additional assets; the professionals rendering the services; prior relationships with the Registrant and/or its representatives, and negotiations with the client. As a result of these factors, similarly situated clients could pay different fees, and the services to be provided by the Registrant to any particular client could be available from other advisers at lower fees. The Registrant's Chief Compliance Officer, Matthew Weinberg, remains available to address any questions that a client or prospective client may have regarding the above fee determination

- B. Clients may elect to have the Registrant's advisory fees deducted from their custodial account. Both Registrant's Investment Advisory Agreement and the custodial/ clearing agreement may authorize the custodian to debit the account for the amount of the Registrant's investment advisory fee and to directly remit that management fee to the Registrant in compliance with regulatory procedures. In the limited event that the Registrant bills the client directly, payment is due upon receipt of the Registrant's invoice. The Registrant shall deduct fees and/or bill clients quarterly in arrears, based upon the market value of the assets on the last business day of the previous quarter.
- C. Unless a client's circumstances dictate otherwise, Registrant generally recommends that Charles Schwab and Co., Inc. and its affiliates ("Schwab") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers charge transaction fees for effecting certain securities transactions according to their fee schedule, and they or their affiliated custodians also impose charges for custodial services/fees associated with maintaining the client's account. For mutual fund and ETF purchases, clients will incur charges imposed by the respective fund, which represent the client's pro rata share of the fund's management fee and other fund expenses. These fees and expenses are described in each fund's prospectus or other offering documents. The fees charged by the applicable broker-dealer/custodian, and the charges imposed by mutual funds and ETFs, are separate from and in addition to Registrant's advisory fee referenced in this Item 5. Registrant does not share in any portion of those fees or expenses.

Tradeaway/Prime Broker Fees. When beneficial to the client, individual fixed income transactions may be effected on a discretionary basis through broker-dealers other than the account custodian, in which event, the client generally will incur both the fee

(commission, mark-up/mark-down) charged by the executing broker-dealer and a separate “tradeaway” and/or prime broker fee charged by the account custodian.

- D. Registrant’s annual investment advisory fee shall be prorated and paid quarterly, in arrears, based upon the market value of the assets on the last business day of the previous quarter. The Registrant does not require a minimum asset level or minimum annual fee for investment advisory services. The Registrant, in its sole discretion, may charge a lesser investment management fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

The Investment Advisory Agreement between the Registrant and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the Investment Advisory Agreement. Upon termination, the Registrant will bill or debit the client account for the pro-rated portion of the unpaid advisory fee paid based upon the number of days services were provided during the billing quarter.

- E. Neither the Registrant, nor its representatives accept compensation from the sale of securities or other investment products.

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

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

#### **Item 7            Types of Clients**

The Registrant’s clients generally include individuals, high net worth individuals, charitable organizations, insurance companies, trusts and estates. The Registrant does not require a minimum asset level or minimum annual fee for investment advisory services. The Registrant, in its sole discretion, may charge a lesser investment management fee based upon certain criteria (e.g. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

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

- A. The Registrant primarily uses a “fundamental” method of security analysis, which is analysis performed on historical and present data, with the goal of making financial forecasts.

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)
- Options (contract for the purchase or sale of a security at a predetermined price during a specific period of time)

Investment Risk. Investing in securities involves risk of loss that clients should be prepared to bear, including the complete loss of principal investment. Past performance may not be indicative of future results. 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 Registrant) will be profitable or equal any specific performance levels. Investment strategies such as asset allocation, diversification, or rebalancing do not assure or guarantee better performance and cannot eliminate the risk of investment losses. There is no guarantee that a portfolio employing these or any other strategy will outperform a portfolio that does not engage in these strategies.

- 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.

Options Strategies. In addition to the fundamental investment strategies discussed above, the Registrant may also implement or recommend options transactions; which involves a high level of inherent risk. Option transactions establish a contract between two parties concerning the buying or selling of an asset at a predetermined price during a specific period of time. During the term of the option contract, the buyer of the option gains the right to demand fulfillment by the seller. Fulfillment may take the form of either selling or purchasing a security depending upon the nature of the option contract. Generally, the purchase or the recommendation to purchase an option contract by the Registrant shall be with the intent of offsetting/"hedging" a potential market risk in a client's portfolio.

Although the intent of the options-related transactions that may be implemented by the Registrant is to hedge against principal risk, certain of the options-related strategies (i.e. straddles, short positions, etc.), may, in and of themselves, produce principal volatility and/or risk. Therefore, a client must be willing to accept these enhanced volatility and principal risks associated with such strategies. In light of these enhanced risks, client may direct the Registrant, in writing, not to employ any or all such strategies for their accounts.

For detailed information on the use of options and option strategies, please be sure to read carefully the Option Clearing Corp.'s Option Disclosure Document, which can be found at: <http://www.optionsclearing.com/components/docs/riskstoc.pdf>. Hard copies may be



ordered by calling 1-888-678-4667 or writing OCC, 1 North Wacker Drive, Suite 500 Chicago, IL 60606.

Margin Strategies. Registrant does not recommend the use of margin as an investment strategy, in which the client would borrow money leveraged against securities it holds to purchase additional securities. However, if a client determines to use margin to purchase assets that Registrant will manage, Registrant would include the entire market value of the margined assets when computing its advisory fee, which would present a conflict of interest if it increases Registrant's advisory fee. Another conflict of interest would arise if Registrant has an economic disincentive to recommend that the client terminate the use of margin. The terms and conditions of each margin loan are contained in a separate agreement between the client and the margin lender selected by the client, which terms and conditions may vary from client to client. Borrowing funds on margin is not suitable for all clients and is subject to certain risks, including but not limited to: increased market risk, increased risk of loss, especially in the event of a significant downturn; liquidity risk; the potential obligation to post collateral or repay the margin if the margin Lender determines that the value of collateralized securities is no longer sufficient to support the value of the margin; and the risk that the margin lender may liquidate the client's securities to satisfy its demand for additional collateral or repayment / the risk that the margin lender may terminate the margin at any time. Before agreeing to participate in a margin program, clients should carefully review the applicable margin agreement and all risk disclosures provided by the margin lender including the initial margin and maintenance requirements for the specific program in which the client enrolls, and the procedures for issuing "margin calls" and liquidating securities and other assets in the client's accounts.

- C. Currently, the Registrant primarily allocates client investment assets among various individual equities and fixed income securities, mutual funds, ETFs, exchange traded notes (ETNs), publically-traded real estate investment trusts ("REITs"), and non-agency mortgage-backed securities, cash and cash equivalents on a discretionary basis in accordance with the client's designated investment objectives. In certain limited circumstances, Registrant may implement or recommend the use of options strategies (as indicated above) and Master Limited Partnerships. Each type of security has its own unique set of risks associated with it, and it would not be possible to describe of the specific risks of every type of investment. However, the following provides a short description of the risks associated with investing in these types of securities:

Market Risk. The price of a security may drop in reaction to tangible and intangible events and conditions. This type of risk may be caused by external factors (such as economic or political factors), but may also be incurred because of a security's specific underlying investments. Additionally, each security's price can fluctuate based on market movement, which may or may not be due to the security's operations or changes in its true value. For example, political, economic and social conditions may trigger market events which are temporarily negative, or temporarily positive.

Unsystematic Risk. Unsystematic risk is the company-specific or industry-specific risk in a portfolio that the investor bears. Unsystematic risk is typically addressed through diversification. However, as indicated above, diversification does not or guarantee better performance and cannot eliminate the risk of investment losses.

Value Investment Risk. Value stocks may perform differently from the market as a whole and following a value-oriented investment strategy may cause a portfolio to underperform growth stocks.

Growth Investment Risk. Prices of growth stocks tend to be higher in relation to their companies' earnings and may be more sensitive to market, political and economic developments than other stocks, making their prices more volatile.

Small Company Risk. Securities of small companies are often less liquid than those of large companies and this could make it difficult to sell a small company security at a desired time or price. As a result, small company stocks may fluctuate relatively more in price. In general, small capitalization companies are more vulnerable than larger companies to adverse business or economic developments and they may have more limited resources.

Commodity Risk. The value of commodity-linked derivative instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs, and international economic, political, and regulatory developments.

Foreign Securities and Currencies Risk. Foreign securities prices may decline or fluctuate because of: (i) economic or political actions of foreign governments, and/or (ii) less regulated or liquid securities markets. Investors holding these securities are also exposed to foreign currency risk (the possibility that foreign currency will fluctuate in value against the U.S. dollar).

Interest Rate Risk. Fixed income securities and fixed income-based securities are subject to interest rate risk because the prices of fixed income securities tend to move in the opposite direction of interest rates. When interest rates rise, fixed income security prices tend to fall. When interest rates fall, fixed income security prices tend to rise. In general, fixed income securities with longer maturities are more sensitive to these price changes.

Inflation Risk. When any type of inflation is present, a dollar at present value will not carry the same purchasing power as a dollar in the future, because that purchasing power erodes at the rate of inflation.

Reinvestment Risk. Future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate), which primarily relates to fixed income securities.

Credit Risk. The issuer of a security may be unable to make interest payments and/or repay principal when due. A downgrade to an issuer's credit rating or a perceived change in an issuer's financial strength may affect a security's value and impact performance. Credit risk is considered greater for fixed income securities with ratings below investment grade. Fixed income securities that are below investment grade involve higher credit risk and are considered speculative.

Call Risk. During periods of falling interest rates, a bond issuer will call or repay a higher-yielding bond before its maturity date, forcing the investment to reinvest in bonds with lower interest rates than the original obligations.

Regulatory Risk. Changes in laws and regulations from any government can change the market value of companies subject to such regulations. Certain industries are more susceptible to government regulation. For example, changes in zoning, tax structure or laws may impact the return on these investments.

Master Limited Partnerships. In certain limited circumstances Registrant may also implement or recommend the use of Master Limited Partnerships (“MLPs”), which are subject to many risks including those that differ from the risks involved in an investment in the common stock of a corporation. Holders of MLP units have limited control and voting rights on matters affecting the partnership. Holders of units issued by an MLP are exposed to a possibility of liability for all of the obligations of that MLP in the event that a court determines that the rights of the holders of MLP units to vote to remove or replace the general partner of that MLP, to approve amendments to that MLP’s partnership agreement, or to take other action under the partnership agreement of that MLP would constitute “control” of the business of that MLP, or a court or governmental agency determines that the MLP is conducting business in a state without complying with the partnership statute of that state. Holders of MLP units are also exposed to the risk that they will be required to repay amounts to the MLP that are wrongfully distributed to them. In addition, the value of an investment in an MLP will depend largely on the MLP’s treatment as a partnership for U.S. federal income tax purposes. Finally, MLP interests may not be as liquid as other more commonly traded equity securities.

REITs and Mortgage-Backed Securities. Real estate investment trusts (“REITs”) and mortgage-backed securities are subject to risks generally associated with investing in real estate, such as: (i) possible declines in the value of real estate, (ii) adverse general and local economic conditions, (iii) possible lack of availability of mortgage funds, (iv) changes in interest rates, and (v) environmental problems. Mortgage-backed securities are subject to prepayment risk, which can limit gains due to declining interest rates, and increase losses due to rising rates. REITs are subject to certain other risks related specifically to their structure and focus such as: dependency upon management skills; limited diversification; the risks of locating and managing financing for projects; heavy cash flow dependency; possible default by borrowers; the costs and potential losses of self-liquidation of one or more holdings; the possibility of failing to maintain exemptions from securities registration; and, in many cases, relatively small market capitalization, which may result in less market liquidity and greater price volatility.

## **Item 9           Disciplinary Information**

The Registrant and its Management Persons have not been the subject of any disciplinary actions.

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

- A. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. Licensed Insurance Agent. As referenced in Item 4.B above, Registrant's representative, Brett Rosen, is a licensed insurance agent in his separate and individual capacity. Mr. Rosen may recommend the purchase of certain insurance-related products on a commission basis.

Conflict of Interest: The recommendation by Registrant or Mr. Rosen that a client purchase an insurance commission product from Mr. Rosen 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 Mr. Rosen. Clients are reminded that they may purchase insurance products recommended by Registrant through other, non-affiliated insurance agents. The Registrant's Chief Compliance Officer, Matthew Weinberg remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.

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

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

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

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

- B. Neither the Registrant nor any related person of Registrant recommends, buys, or sells for client accounts, securities in which the Registrant or any related person of Registrant has a material financial interest.

- C. The Registrant and/or representatives of the Registrant may buy or sell securities that are also recommended to clients. This practice may create a situation where the Registrant and/or representatives of the firm are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation presents a conflict of interest. Practices such as “scalping” (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if the Registrant did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, “front-running” (i.e., personal trades executed prior to those of the Registrant’s clients) and other potentially abusive practices.

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

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

## **Item 12 Brokerage Practices**

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

Factors that the Registrant considers in recommending Schwab (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 a broker-dealer’s services, including the value of research

provided, execution capability, commission rates, and responsiveness. Accordingly, although Registrant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Registrant's investment management fee.

1. Non-Soft Dollar 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 receives from Schwab (or could receive from other broker-dealer/custodians, unaffiliated investment managers, vendors, investment platforms, and/or product/fund sponsors) without cost (and/or at a discount) support services and/or products. The support services that Registrant receives can include: 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 free consulting services, discounted and/or free travel and 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. Some of the support services and products that Registrant can receive may assist the Registrant in managing and administering client accounts. Others do not directly provide such assistance, but rather assist the Registrant to manage and further develop its business enterprise. Registrant's clients do not pay more for investment transactions executed and/or assets maintained at Schwab as a result of this arrangement. There is no corresponding commitment made by the Registrant to Schwab or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangements. The Registrant's Chief Compliance Officer, Matthew Weinberg, the conflict of interest presented, how it is mitigated, and the arrangements described in this Item 12.

Schwab Advisor Services™

Schwab Advisor Services™ is Schwab's business serving independent investment advisory firms like Registrant. Schwab Advisor Services™ provides Registrant and its clients with access to its institutional brokerage –trading, custody, reporting and related services – many of which are not typically available to Schwab retail customers. Schwab also makes available various support services and additional economic benefits ("Additional Benefits"). Some of those support services and Additional Benefits help Registrant manage or administer its clients' accounts while others help Registrant manage and grow its business. As part of the Additional Benefits, Schwab may also provide monetary assistance to Registrant or to third parties on Registrant's behalf to defray certain costs towards certain technology, compliance, legal, business consulting and other related expenses. Schwab's support services are generally available on an unsolicited basis (Registrant does not have to request them) and at no charge to Registrant. The availability of these services from Schwab benefits Registrant because Registrant does not have to produce or purchase them. Registrant is not required to pay for Schwab's services. A more detailed description of Schwab's Additional Benefits follows.

#### Services that Benefit the Client

Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which Registrant might not otherwise have access or that would require a significantly higher minimum initial investment by Registrant's clients. Schwab's services described in this paragraph generally benefit Registrant's clients and their accounts.

#### Services that May Not Directly Benefit the Client

Schwab also makes available to Registrant other products and services that benefit Registrant but may not directly benefit Registrant's clients or their accounts. These products and services assist Registrant in managing and administering its clients' accounts. They include investment research, both Schwab's own and that of third parties. Registrant may use this research to service all or some substantial number of its clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- provide access to client account data (such as duplicate trade confirmations and account statements);
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- provide pricing and other market data;
- facilitate payment of Registrant's fees from Registrant's clients' accounts; and
- assist with back-office functions, recordkeeping and client reporting.

#### Services that Generally Benefit Only Registrant

Schwab also offers other services intended to help Registrant manage and further develop its business enterprise. These services include:

- educational conferences and events;
- technology, compliance, legal, and business consulting;
- publications and conferences on practice management and business succession;
- access to employee benefits providers, human capital consultants and insurance providers; and
- marketing consulting and support.

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to Registrant. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide Registrant with other benefits such as occasional business entertainment of its personnel.

#### Additional Benefits Received

Registrant currently receives Additional Benefits from Schwab, which may or may not be offered to the Registrant again. The Registrant currently receives two licenses for account reporting software without cost, which Registrant uses to help effectively manage its clients' accounts. The Registrant believes that the Additional Benefits currently received are valued at approximately \$3,500.00 per year. In the future, the Additional Benefits could also potentially include payments from Schwab to third-party research and/or technology vendors for the benefit of the Registrant. Any such payments shall be non-recurring and individually negotiated. The

Registrant has no definitive expectation that these Additional Benefits will be offered again; however, the Registrant reserves the right to negotiate for these Additional Benefits in the future. Schwab provides the Additional Benefits to Registrant in its sole discretion and at its own expense, and neither the Registrant nor its clients pay any fees to Schwab for the Additional Benefits.

The receipt of Additional Benefits presents a conflict of interest, because the Registrant has the incentive to recommend that clients use Schwab as a broker-dealer/custodian based upon its interest in continuing to receive the Additional Benefits or other support services and products, rather than based on a client's particular need. Registrant will therefore only recommend that a client engage Schwab as broker-dealer/custodian if it reasonably believes that the arrangement in the best interests of that client based upon the factors discussed throughout this Item 12. Registrant's Chief Compliance Officer, Matthew Weinberg, remains available to address the conflict of interest presented, and how it is mitigated.

2. The 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, a 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.

If 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 execute account transactions through alternative clearing arrangements that may be available through Registrant. Higher transaction costs adversely impact account performance. Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts. The Registrant's Chief Compliance Officer, Matthew Weinberg, remains available to address any questions that a client or prospective client may have regarding the above arrangement.

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



### **Item 13          Review of Accounts**

- A. For those clients to whom Registrant provides investment supervisory services, account reviews are conducted on an ongoing basis by the Registrant's Principals and/or representatives. All investment supervisory clients are advised that it remains their responsibility to advise the Registrant of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review 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, the Registrant receives economic benefits from Schwab including support services and/or products without cost or at a discount. Registrant's clients do not pay more for investment transactions effected and/or assets maintained at Schwab as a result of this arrangement. There is no corresponding commitment made by the Registrant to Schwab or any other any 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, Matthew Weinberg, remains available to address any questions that a client or prospective client may have regarding the above arrangement and the conflict of interest presented.
- B. Neither the Registrant nor any related person of the Registrant directly or indirectly compensates any person for client referrals.

### **Item 15          Custody**

The Registrant shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. The account custodian does not verify the accuracy of the Registrant's advisory fee calculation.

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. To the extent that the Registrant provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by the Registrant with the account statements received from the account custodian.

## **Item 16            Investment Discretion**

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

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

## **Item 17            Voting Client Securities**

- A. Unless the client directs otherwise in writing, the Registrant is responsible for voting client proxies. However, the client shall maintain exclusive responsibility for all legal proceedings or other type events pertaining to the account assets, including, but not limited to, class action lawsuits. The Registrant shall vote proxies in accordance with its Proxy Voting Policy, a copy of which is available upon request. The Registrant shall monitor corporate actions of individual issuers and investment companies consistent with the Registrant's fiduciary duty to vote proxies in the best interests of its clients. Although the factors which Registrant will consider when determining how it will vote differ on a case by case basis, they may, but are not limited to, include a review of recommendations from issuer management, shareholder proposals, cost effects of such proposals, effect on employees and executive and director compensation. With respect to individual issuers, the Registrant may be solicited to vote on matters including corporate governance, adoption or amendments to compensation plans (including stock options), and matters involving social issues and corporate responsibility. With respect to investment companies (e.g., mutual funds), the Registrant may be solicited to vote on matters including the approval of advisory contracts, distribution plans, and mergers. The Registrant shall maintain records pertaining to proxy voting as required pursuant to Rule 204-2 (c)(2) under the Advisers Act. Copies of Rules 206(4)-6 and 204-2(c)(2) are available upon written request. In addition, information pertaining to how the Registrant voted on any specific proxy issue is also available upon written request. Requests should be made by contacting the Registrant's Chief Compliance Officer, Matthew Weinberg.
- B. As indicated above, Registrant maintains the authority to vote client proxies.

**Item 18      Financial Information**

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

The Registrant's Chief Compliance Officer, Matthew Weinberg, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.