

# **Integrated Capital Management, Inc.**

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**March 2, 2020**

## **FORM ADV PART 2A BROCHURE**

**This brochure provides information about the qualifications and business practices of Integrated Capital Management, Inc. If you have any questions about the contents of this brochure, please contact us at 570-344-0100. 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 Integrated Capital Management, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Integrated Capital Management, Inc. is 149489.**

**Integrated Capital Management, Inc. is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.**

## **Item 2 Summary of Material Changes**

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Since our last annual updating amendment dated March 26, 2019 we have made no material changes to this Disclosure Brochure.

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## Item 4 Advisory Business

Integrated Capital Management, Inc. is an SEC-registered investment adviser based in Jessup, Pennsylvania. We are organized as a corporation under the laws of the Commonwealth of Pennsylvania. We have been providing investment advisory services since 2009. Joseph Perfilio and Michael Paciotti are our principal owners.

As used in this brochure, the words "we", "our" and "us" refer to Integrated Capital Management, Inc. and the words "you", "your" and "client" refer to you as either a client or prospective client of our firm. Also, you may see the term Associated Person throughout this brochure. As used in this brochure, our Associated Persons are our firm's officers, employees, and all individuals providing investment advice on behalf of our firm.

### Investment Management Programs

Through our investment management programs, we bring a new perspective to money management by providing the services of an outsourced investment department to institutional investors, broker dealers, registered investment advisers, financial advisors and their clients. This perspective is deeply rooted in our experiences as practicing investment advisors and our connection to the institutional investment community.

Multi-billion-dollar investors have always had substantial advantages in the investment marketplace. We use our collective purchasing power, independence, objectivity and professionalism to deliver those same advantages to investors and advisors who choose not to assume the cost of a fully staffed investment department. By bringing the research intensive focus of one of the nation's largest institutional plan sponsors combined with the scalability of the Turnkey Asset Management Program structure, our mission is to provide Clients with investment solutions seen in the institutional investment community.

Our series of proprietary investment solutions are offered through managed money and private label programs using registered products such as mutual funds and exchange traded funds. Philosophically, we believe that while investor emotions influence prices and performance in the short run, in the long run valuations rule the day. By following a contrarian valuation oriented approach we attempt to add value through a series of quantitative investment models. By overweighting those opportunities that are inexpensive and underweighting those that are expensive, we believe that investors can reduce risk and enhance return over the course of a full market cycle. We have created a set of globally diversified investment solutions designed to address the ever changing needs of today's markets.

Our turnkey *Strategy Plus Portfolios*® consist of ten investor risk return profiles (individual fact sheets are available for all portfolio strategies). Examples include but are not limited to:

*Strategy Plus Portfolios*® *Standard Models*® consist of ten investor profiles ranging from very conservative to more aggressive equity only models for qualified investors and/or investors that are less sensitive to taxes. Investments decisions are made via our contrarian valuation driven approach where we seek to overweight inexpensive opportunities and underweight those that are expensive. Investments are limited to registered products only and can include both active and passive investments. Within these models we offer the Standard Model, the Mutual Fund Only Model, and the Standard Model with Alternative Investments.

*Strategy Plus Portfolios*® *Tax Sensitive Models* consist of ten investor profiles ranging from very conservative to more aggressive equity only models for non-qualified investors and/or investors that are more sensitive to taxes. Investments decisions are made via our contrarian valuation driven

approach where we seek to overweight inexpensive opportunities and underweight those that are expensive. Investments are limited to registered products only and can include both active and passive investments. While taxes are a consideration, they are not our first consideration.

*Strategy Plus Portfolios® ETF Only* consist of ten investor profiles ranging from very conservative to more aggressive equity only models for investors preferring an index based solution. While implementation is done via passive ETFs the program is not passive. Investment decisions are made via our contrarian valuation driven approach where we seek to overweight inexpensive opportunities and underweight those that are expensive. Investments are limited to registered products only and can include only passive ETFs.

Our firm also offers a *Tactical Income Closed-End Fund* (TICE) portfolio, which is an actively managed closed-end fund (CEF) trading strategy that is allocated approximately 60% fixed income and 40% equity. Our goal is to construct a portfolio with market-like characteristics, but acquire it for a reasonable discount. We use proprietary research techniques, specifically quantitative models, to analyze and identify CEFs that are trading at statistically significant discounts to their NAVs. When combined with a thoughtful asset class valuation approach, we believe that we can provide a well-diversified portfolio with attractive yield characteristics and risk-adjusted returns over a long-term time horizon.

*The iCM Green Models* consist of five investor profiles ranging from very conservative to more aggressive models for investors seeking a socially responsible investment solution. Investment decisions are made via our contrarian valuation driven approach where we seek to overweight inexpensive opportunities and underweight those that are expensive. Investments are limited to registered products only and can include both active and passive investments.

The *iCM Strategic Beta* models are a suite of 5 strategies ranging from 10% equity, 90% fixed income to 80% equity, 20% fixed income and utilize a long term strategic asset allocation framework. Each portfolio's equity allocation aims to provide global market exposure have been proven through academic research to outperform over long term investment horizons; value, size & profitability. The Strategic Beta portfolios gain exposure to these factors via ETFs, which are subadvised by Dimensional Fund Advisors(DFA). The portfolios' fixed income allocation also aims to align with the DFA framework, passively targeting term and quality factors that have been shown to produce attractive risk-adjusted returns over the long-term.

### **Investment Management Services**

We offer discretionary portfolio management services where our investment advice is tailored to meet our clients' needs and investment objectives. If you retain our firm for portfolio management services, we will meet with you to determine your investment objectives, risk tolerance, and other relevant information at the beginning of our advisory relationship. We will use the information we gather to develop an investment strategy that enables our firm to give you continuous and focused investment advice and/or to make investments on your behalf in accordance with your risk profile and investing objectives.

We also offer discretionary portfolio management services to clients as part of a tri-party arrangement with our firm, the Client, and the Client's appointed financial advisor (hereinafter "Client Adviser"). With these arrangements the Client Adviser will be responsible for collecting initial and ongoing Client personal and financial information, and will be responsible for immediately communicating relevant information to our firm.

As part of our portfolio management services we may create a custom portfolio for you or we may invest your assets in one or more proprietary investment model strategies (noted above under Investment Management Programs). In either instance we will monitor your portfolio's performance on an ongoing basis, and will rebalance the portfolio as required by changes in market conditions and in your financial circumstances. Where appropriate we may also assist you with you establishing an account for purposes of holding certain securities.

If you engage us for discretionary portfolio management services, we require you to grant our firm discretionary authority to manage your account. Discretionary authorization will allow our firm to effect purchases, sales, exchanges, re-balance, reallocation, and other transactions with respect to the managed assets in your account(s). Discretionary authority is typically granted by the investment advisory agreement you sign with our firm and/or through trading authorization forms. In limited circumstances, *and only in our sole discretion*, we may accept certain instructions from you that limit our discretionary authority (for example, limiting the types of securities that can be purchased for your account) by providing our firm with your restrictions and guidelines in writing.

### **Investment Management - Retirement Plans**

As part of our portfolio management services, we offer various levels of advisory and consulting services to employee benefit plans and to the participants of such plans ("Participants"). The services are designed to assist plan sponsors ("Plan Sponsors") in meeting their management and fiduciary obligations to the Participants under the Employee Retirement Income Securities Act ("ERISA"). In all cases, Plan Sponsors must make the ultimate decision to retain our firm for pension consulting and other advisory services. The Plan Sponsor is free to seek independent advice about the appropriateness of any recommended services for the plan.

When working with Plan level engagements where we act as the Investment Manager to the Plan, we shall have discretionary investment authority to direct the core investments to be offered to plan participants in a manner that is consistent with the criteria set forth between the Plan and our firm that has been approved by the Plan Sponsor, or other plan fiduciary. Such authority will include ability to select, monitor, remove and replace all investment alternatives that constitute the core investment menu. In cases where we provide instructions directly to the Plan's record keeper or third-party administrator with regard to the removal, or replacement, of investments, we will provide the Plan Sponsor with a report containing the basis for those decisions.

In rendering Investment Management Services or any other ERISA Discretionary Fiduciary Service, we will act as an ERISA fiduciary and will serve as an investment manager as defined in Section 3(38) of ERISA, and as a fiduciary under the Investment Advisers Act. We shall retain final decision-making authority with regard to all ERISA Discretionary Fiduciary Services, and the Plan fiduciaries remain responsible for demonstrating that our firm was prudently selected and monitored.

We may also provide additional types of pension consulting services to plans on an individually negotiated basis. All services, whether discussed above or customized for the plan based upon requirements from the plan fiduciaries (which may include additional plan-level or participant-level services) shall be detailed in a written agreement and be consistent with the parameters set forth in the plan documents.

### **General Information**

Investment recommendations are based on your financial situation at the time the services are provided, and on the financial information you provide to our firm. In providing the contracted services, we are not required to verify any information we receive from you or from your other professionals (e.g.

attorney, accountant, etc.) and we are expressly authorized to rely on the information you provide. You must promptly notify our firm if your financial situation, goals, objectives, or needs change. You are free to accept or reject any recommendation made by our firm.

### **Wrap Fee Program(s)**

We are a portfolio manager to and sponsor of a wrap fee program, which is a type of investment program that provides clients with access to several professional in-house money managers and investment vehicles suitable for their financial circumstances and investment objectives. If you participate in our wrap fee program, you will pay our firm a single fee, which includes money management fees, and ticket charges. We receive a portion of the wrap fee for our services. You may pay custodial fees, charges imposed directly by a mutual fund, index fund, or exchange traded fund which shall be disclosed in the fund's prospectus (i.e., fund management fees and other fund expenses), wire transfer fees and other fees and taxes on brokerage accounts and securities transactions. The overall cost you will incur if you participate in our wrap fee program may be higher or lower than you might incur by separately purchasing the types of securities available in the program.

If you participate in our wrap fee program, we will provide you with a separate Wrap Fee Program Brochure (also referred to as Part 2A - Appendix 1) explaining the program and costs associated with the program.

### **Types of Investments**

We primarily advise on institutional class, no-load mutual fund shares, closed-end funds, and Exchange Traded Funds ("ETFs"). Additionally, we may advise you on any type of investment that we deem appropriate based on your stated goals and objectives. We may also provide advice on any type of investment held in your portfolio at the inception of our advisory relationship.

### **Assets Under Management / Advisement**

As of December 31, 2019 we provide continuous management services for \$203,734,228 in client assets on a discretionary basis. Our firm also provides advisory services to approximately \$1,049,667,997 in assets under advisement where we manage the model portfolios but do not execute transactions.

## **Item 5 Fees and Compensation**

### ***Investment Management - Standard Annual Advisory Fee Option***

Our annual fee for investment management services is based on the market value of your assets under management and is calculated as follows:

<b>Assets Under Management</b>	<b>Maximum Annual Advisory Fee*</b>
\$0 - \$500,000	2.00%
\$500,001 - \$1,000,000	1.75%
\$1,000,001 - \$3,000,000	1.50%
\$3,000,001 - \$5,000,000	1.25%
Over \$5,000,000	Negotiable

\*Maximum annual advisory fee includes our management fee, and the Client Adviser (if applicable).

Our management fee is billed and payable quarterly in advance based on the value of your account on the last day of the previous calendar quarter. The first quarter's fees will be calculated on a pro rata basis based on the initial value of your portfolio, which means the advisory fee is payable in proportion



to the number of days in the quarter for which you are a client. Fees are negotiable, depending on individual client circumstances. Increases in the annual fee are only effective upon your receipt of prior written notice. You are responsible for custodial fees and transaction costs.

We will deduct our fee directly from your account through the qualified custodian holding your funds and securities. We will deduct our advisory fee only when you have given our firm written authorization permitting the fees to be paid directly from your account. Further, the qualified custodian will deliver an account statement to you at least quarterly. These account statements will show all disbursements from your account. You should review all statements for accuracy.

Either party may terminate the agreement at any time by providing written notice to the other party. If you terminate our services before the end of a calendar quarter, you will incur a pro-rata fee based on the number of days in the quarter that we managed your account. If you have pre-paid advisory fees that we have not yet earned, you will receive a prorated refund of those fees.

Our fee schedule does not include the following separately billed fees, which we do not receive any part of: mutual fund expenses, trading and custodial costs. These fees will be separately charged by the relevant parties and you are responsible for paying these additional costs.

### **Investment Management - Retirement Plans**

As part of our portfolio management services, we offer various levels of advisory and consulting services to employee benefit plans and to the participants of such plans ("Participants"). The services are designed to assist plan sponsors ("Plan Sponsors") in meeting their management and fiduciary obligations to the Participants under the Employee Retirement Income Securities Act ("ERISA"). In all cases, Plan Sponsors must make the ultimate decision to retain our firm for pension consulting and other advisory services. The Plan Sponsor is free to seek independent advice about the appropriateness of any recommended services for the plan.

When working with Plan level engagements where we act as the Investment Manager to the Plan, we shall have discretionary investment authority to direct the core investments to be offered to plan participants in a manner that is consistent with the criteria set forth between the Plan and our firm that has been approved by the Plan Sponsor, or other plan fiduciary. Such authority will include ability to select, monitor, remove and replace all investment alternatives that constitute the core investment menu. In cases where we provide instructions directly to the Plan's record keeper or third-party administrator with regard to the removal, or replacement, of investments, we will provide the Plan Sponsor with a report containing the basis for those decisions.

In rendering Investment Management Services or any other ERISA Discretionary Fiduciary Service, we will act as an ERISA fiduciary and will serve as an investment manager as defined in Section 3(38) of ERISA, and as a fiduciary under the Investment Advisers Act. We shall retain final decision-making authority with regard to all ERISA Discretionary Fiduciary Services, and the Plan fiduciaries remain responsible for demonstrating that our firm was prudently selected and monitored.

We may also provide additional types of pension consulting services to plans on an individually negotiated basis. All services, whether discussed above or customized for the plan based upon requirements from the plan fiduciaries (which may include additional plan-level or participant-level services) shall be detailed in a written agreement and be consistent with the parameters set forth in the plan documents.



### **Additional Fees and Expenses**

As part of our investment advisory services to you we may recommend that you invest in mutual funds and exchange traded funds. The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. You will also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through whom your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. For information on our brokerage practices, please refer to the *Brokerage Practices* section of this Disclosure Brochure.

### **Compensation for the Sale of Other Investment Products**

Investment Adviser Representatives of our firm may be licensed as insurance agents. In this capacity, and on rare occasions, they may sell insurance products to clients of our firm. As a result these persons will earn commission-based compensation for selling insurance products, which is separate and apart from our advisory fees. These practices present a conflict of interest because licensed insurance agents have a financial incentive to sell insurance products to you. You are under no obligation, contractually or otherwise, to purchase insurance products through any person affiliated with our firm.

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

We do not accept performance-based fees or participate in side-by-side management. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Our fees are calculated as described in the *Fees and Compensation* section above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees.

## **Item 7 Types of Clients**

We offer investment advisory services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, municipal or government agencies, other investment advisers, insurance companies, broker/dealers, corporations and other business entities. In general, we require \$25,000 minimum dollar amount to open and maintain an advisory account. However, we will evaluate each relationship on a case-by-case basis and determine in our sole discretion whether to accept your account or not. We also reserve the right to terminate an account if it falls below a minimum size which, in our sole opinion, is too small to effectively manage.

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

We may use one or more of the following methods of analysis or investment strategies when providing investment advice to you:

- Fundamental Analysis - involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company's

industry. The resulting data is used to measure the true value of the company's stock compared to the current market value.

- Quantitative Contrarian Regression Model - identifies underpriced assets by analyzing fundamental data using quantitative techniques. Quantitative techniques are used to identify mispriced macro-level opportunities such as, but not limited to, broad asset classes and/or sectors.
- Long Term Purchases - securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.
- Short Term Purchases - securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations.

### **Risks Associated with Methods of Analysis and Investment Strategies**

The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.

The risk of quantitative analysis is that our valuation-based models may prematurely indicate that an asset class/sector is attractively valued, leading to unfavorable performance. This could occur under a scenario where investors are focused on short-term fear and momentum, rather than long-term fundamentals.

In our investment research we use fundamental data synthesized through quantitative investment models. By doing this our goal is to glean an understanding of asset valuations relative to other assets and to historical valuations. The information is used to overweight inexpensive assets and underweight expensive assets. Owning inexpensive assets in no way guarantees against loss or promises future gain. By participating in capital markets you are exposed to normal market risk factors.

### **Risk of Loss**

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. You understand that our investment recommendations for your account are subject to various market, currency, economic, political and business risks, and that those investment decisions will not always be profitable. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

### **Recommendation of Particular Types of Securities**

We primarily recommend Institutional Class, no-load mutual funds and exchange traded funds for our clients. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the potential return of an investment, the higher the risk of loss associated with it. You should be advised of the following risks when investing in these types of securities:

Mutual funds and exchange traded funds are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds and ETFs generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative

companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. Exchange traded funds differ from mutual funds since they can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. The returns on mutual funds and ETFs can be reduced by the costs to manage the funds. Also, while some mutual funds are "no load" and charge no fee to buy into, or sell out of, other types of mutual funds do charge such fees which can also reduce returns. Mutual funds can also be "closed end" or "open end". So-called "open end" mutual funds continue to allow in new investors indefinitely which can dilute other investors' interests.

## **Item 9 Disciplinary Information**

Integrated Capital Management, Inc. has been registered and providing investment advisory services since 2009. Neither our firm nor any of our Associated Persons have any reportable disciplinary information under this item.

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

We do not have any financial industry activities, affiliations or relationships that are material to our advisory business or to our advisory clients except as listed below.

### **Insurance Licenses**

Investment Adviser Representatives of our firm may be licensed as insurance agents. In this capacity, and on rare occasions, they may sell insurance products to clients of our firm. As a result these persons will earn commission-based compensation for selling insurance products, which is separate and apart from our advisory fees. These practices present a conflict of interest because licensed insurance agents have a financial incentive to sell insurance products to you. You are under no obligation, contractually or otherwise, to purchase insurance products through any person affiliated with our firm.

### **Affiliated Investment Adviser**

Joseph Perfilio, President of our firm, is the owner of another registered investment adviser, Clayton Perfilio, Ltd., ("CPL"). Our advisory services are separate and distinct from the fees paid to CPL for their services.

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

### **Description of Code of Ethics**

We have adopted a Code of Ethics that sets the standard of conduct expected to comply with applicable securities laws. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. We adhere strictly to these guidelines. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm. Clients or perspective clients may contact us at the telephone number on the cover page of this Disclosure Brochure to request a copy of our Code of Ethics.

### **Participation or Interest in Client Transactions**

Neither our firm nor any of our Associated Persons has any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this brochure.

## **Personal Trading Practices**

Our firm or persons associated with our firm may buy or sell the same securities that we recommend to you or securities in which you are already invested. A conflict of interest exists in such cases because we may have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To mitigate this conflict of interest, it is our policy that neither our Associated Persons nor we shall have priority over your account in the purchase or sale of securities. Accounts owned by our firm or persons associated with our firm may participate in block trading with your accounts; however, they will not be given preferential treatment. We have also adopted a written Code of Ethics designed to prevent and detect personal trading activities that may interfere or be in conflict with client interests, as discussed above in this section.

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

## **Item 12 Brokerage Practices**

### **Brokerage Practices**

We maintain relationships with several broker-dealers. While you are free to choose any broker-dealer or other service provider, we recommend that you establish an account with a brokerage firm with which we have an existing relationship, such as TD Ameritrade or Folio Institutional, among others. Such relationships may include benefits provided to our firm, including but not limited to market information and administrative services that help our firm manage your account(s). We believe that recommended broker-dealers provide quality execution services for our clients at competitive prices. Price is not the sole factor we consider in evaluating best execution. We also consider the quality of the brokerage services provided by recommended broker-dealers, including the value of the firm's reputation, execution capabilities, commission rates, and responsiveness to our clients and our firm. In recognition of the value of the services recommended broker-dealers provide, you may pay higher commissions and/or trading costs than those that may be available elsewhere.

We participate in the institutional advisor program (the "Program") offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. We receive some benefits from TD Ameritrade through our participation in the Program.

As disclosed above, we participate in TD Ameritrade's institutional customer program and may recommend TD Ameritrade to clients for custody and brokerage services. There is no direct link between our participation in the program and the investment advice we give to our clients, although we receive economic benefits through participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving our participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to us by third party vendors. TD Ameritrade may also have

paid for business consulting and professional services received by our related persons. Some of the products and services made available by TD Ameritrade through the program may benefit us but may not benefit our client accounts. These products or services may assist us in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help us manage and further develop our business enterprise. The benefits received by us or our personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of our fiduciary duties to clients, we endeavor at all times to put the interests of our clients first. Clients should be aware, however, that the receipt of economic benefits by us or our related persons in and of itself creates a potential conflict of interest and may indirectly influence our choice of TD Ameritrade for custody and brokerage services.

### **Brokerage for Client Referrals**

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

### **Trade Errors**

In limited circumstances, we may make an error in submitting a trade on your behalf. In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account. If a trade error results in a loss, we will reimburse you or otherwise ensure that your account is made whole.

### **Block Trades**

We typically combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as "block trading"). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. Subject to our discretion regarding factual and market conditions, when we combine orders, each participating account pays a transactions fee. Accounts owned by our firm or persons associated with our firm may participate in block trading with your accounts; however, they will not be given preferential treatment.

## **Item 13 Review of Accounts**

We monitor client portfolios as part of an ongoing process while regular account reviews are conducted at least quarterly. You are encouraged to discuss your needs, goals, and objectives with our firm, and to keep us informed of any changes in this information. Additional reviews may be conducted at your request, or based on various circumstances, including, but not limited to, changes in your individual circumstances, economic conditions, general factors affecting the stock market, etc.

Personnel currently performing reviews are typically the investment adviser representative assigned to your account. The individuals conducting reviews may vary from time to time, as personnel join or leave our firm. Our CCO has overall supervision of the activities of the investment adviser representatives and will ensure that proper account reviews are being conducted.

You will receive transaction confirmations and quarterly statements from your account custodians. Collectively, these reports will list your account holdings, account value, account activity, and advisory fees paid to our firm.



## Item 14 Client Referrals and Other Compensation

Refer to the *Brokerage Practices* section above for disclosures on research and other benefits we may receive resulting from our relationship with your account custodian.

We may directly compensate consultants, individuals, and/or entities (Solicitors) for client referrals. In order to receive a cash referral fee from our firm, Solicitors must comply with the requirements of the jurisdictions in which they operate. If you were referred to our firm by a Solicitor, you should have received a copy of this brochure along with the Solicitor's disclosure statement at the time of the referral. If you become a client, the Solicitor that referred you to our firm will receive a percentage of the advisory fee you pay our firm for as long as you are a client with our firm, or until such time as our agreement with the Solicitor expires or a one-time, flat referral fee upon your signing an advisory agreement with our firm. You will not pay additional fees because of this referral arrangement.

Referral fees paid to a Solicitor are contingent upon your entering into an advisory agreement with our firm. Therefore, a Solicitor has a financial incentive to recommend our firm to you for advisory services. This creates a conflict of interest; however, you are not obligated to retain our firm for advisory services. Comparable services and/or lower fees may be available through other firms. Solicitors that refer business to more than one investment adviser may have a financial incentive to recommend advisers with more favorable compensation arrangements.

## Item 15 Custody

### *Fee Deduction*

As paying agent for our firm, your independent custodian will directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or securities. We do not have physical custody of any of your funds and/or securities as your funds and securities will be held with a bank, broker-dealer, or other qualified custodian. You will receive account statements from the qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy, and contact us immediately if you have any questions.

### *Disbursement Authorization*

Pursuant to Rule 206(4)-2 (the "Custody Rule"), investment advisers are deemed to have custody over client funds or securities where the investment adviser has authority to transfer or disburse client funds. As a convenience and service for our clients, some clients may authorize our firm, through the client's acting custodian(s), to assist with such transfers and/or disbursements. In these instances, we are deemed to have custody over client accounts since we will have disbursement or money-movement authority.

Consequently, we have taken steps to implement controls in efforts to comply with the SEC's Custody Guidance (SEC No-Action Letter dated February 21, 2017; SEC Custody Rule FAQ II.4; and, IM Guidance Update No. 2017-01), including, but not limited to: (1) adhering to the seven conditions specific to Standing Letters of Authorization delineated in the SEC No-Action Letter; (2) amending our Form ADV; and, (3) amending our internal policies procedures. Since many of the seven conditions involve the qualified custodian's operations, we will collaborate closely with our clients' acting custodian(s) in efforts to ensure that the representations are being satisfied.

## **Item 16 Investment Discretion**

Before we can buy or sell securities on your behalf, you must first sign our investment management agreement. If you engage us to provide Investment Advisory Services on a discretionary basis, we have the authority to determine the selection and amount of securities to be purchased or sold for your account(s) without obtaining your consent or approval prior to each transaction. Generally, we do not accept client restrictions on investing in certain types of securities.

## **Item 17 Voting Client Securities**

We will not vote proxies on behalf of your advisory accounts. At your request, we may offer you advice regarding corporate actions and the exercise of your proxy voting rights. If you own shares of applicable securities, you are responsible for exercising your right to vote as a shareholder.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward any electronic solicitations to vote proxies.

## **Item 18 Financial Information**

The following are disclosures required by the Form ADV Instructions:

Our firm does not have any financial condition or impairment that would prevent us from meeting our contractual commitments to you. We do not take physical custody of client funds or securities, or serve as trustee or signatory for client accounts, and, we do not require the prepayment of more than \$1,200 in fees six or more months in advance. Therefore, we are not required to include a financial statement with this Disclosure Brochure. We have not filed a bankruptcy petition at any time in the past ten years.

## **Item 19 Requirements for State-Registered Advisers**

We are a federally registered investment adviser; therefore, we are not required to respond to this item.

## **Item 20 Additional Information**

### **Class Action Lawsuits**

We do not determine if securities held by you are the subject of a class action lawsuit or whether you are eligible to participate in class action settlements or litigation nor do we initiate or participate in litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by you.

### **Privacy Policy**

We view protecting our customers' private information as a top priority and, pursuant to the requirements of the Gramm-Leach Bliley Act we have instituted policies and procedures to ensure that customer information is kept private and secure.

We do not share or disclose your information to nonaffiliated third parties except as permitted or required by law. We are committed to safeguarding the confidential information of our Clients. We hold all personal information provided by our Clients in the strictest confidence and it is the objective of our



firm to protect the privacy of all Clients. Except as permitted or required by law, we do not share confidential information about our Clients with nonaffiliated parties. In the event that there were to be a change in this policy, we will provide you with written notice and you will be provided an opportunity to direct us as to whether such disclosure is permissible. We will deliver a copy of our privacy policy to you on an annual basis.

To conduct regular business, we may collect personal information from sources such as:

- Information reported by you on applications or other forms you provide to our firm;
- Information about your transactions implemented by others and viewable by our firm;
- Information developed as part of analyses or investment advisory services.

To administer, manage, service, and provide related services for your account(s), it is necessary for us to provide access to your information within the firm and to nonaffiliated companies with whom we have entered into agreements with. To provide the utmost service, we may disclose the information below regarding customers and former customers, as necessary, to companies to perform certain services on our behalf.

In providing the contracted services, we may disclose the following information:

- Information we receive from you on applications (name, social security number, address, assets, etc.);
- Information about your transactions with our firm or others (account information, payment history, parties to transactions, etc.);
- Information concerning investment advisory account transactions;
- Information about your financial products and services with our firm.

### **How We Protect Information**

We maintain the confidentiality of the information that you provide. We protect your information by attempting to meet all laws setting forth procedures for providing physical, electronic, and procedural safeguards that comply with federal regulations to guard your nonpublic personal information. All people who work for our firm are trained to handle your information properly in order to maintain its security. We also restrict access to personal information about our Clients to only those employees who need such information to provide service(s) to you. We maintain physical, electronic, and procedural safeguards that comply with industry standards to guard your personal information. We do not sell or market Clients' or prospective Clients' personal information to third parties. We do not disclose any information about our Clients or former Clients to anyone, except as needed by our service providers (e.g., broker, accountants, attorneys and auditors) or as required by law.

### **Changes in Privacy Policy**

We may modify our policy at any time. We will notify our current Clients of any modifications.

### **Questions**

Please contact Joseph C. Perfilio, President and Chief Compliance Officer, if you have any questions about the contents of this Disclosure Brochure at 570-344-0100.

### **IRA Rollover Considerations**

As part of our investment advisory services to you, we may recommend that you withdraw the assets from your employer's retirement plan and roll the assets over to an individual retirement account ("IRA") that we will manage on your behalf. If you elect to roll the assets to an IRA that is subject to our management, we will charge you an asset based fee as set forth in the agreement you executed with our firm. This practice presents a conflict of interest because persons providing investment advice on our behalf have an incentive to recommend a rollover to you for the purpose of generating fee based

compensation rather than solely based on your needs. You are under no obligation, contractually or otherwise, to complete the rollover. Moreover, if you do complete the rollover, you are under no obligation to have the assets in an IRA managed by our firm.

Many employers permit former employees to keep their retirement assets in their company plan. Also, current employees can sometimes move assets out of their company plan before they retire or change jobs. In determining whether to complete the rollover to an IRA, and to the extent the following options are available, you should consider the costs and benefits of:

1. Leaving the funds in your employer's (former employer's) plan.
2. Moving the funds to a new employer's retirement plan.
3. Cashing out and taking a taxable distribution from the plan.
4. Rolling the funds into an IRA rollover account.

Each of these options has advantages and disadvantages and before making a change we encourage you to speak with your CPA and/or tax attorney.

If you are considering rolling over your retirement funds to an IRA for us to manage here are a few points to consider before you do so:

1. Determine whether the investment options in your employer's retirement plan address your needs or whether you might want to consider other types of investments.
  1. Employer retirement plans generally have a more limited investment menu than IRAs.
  2. Employer retirement plans may have unique investment options not available to the public such as employer securities, or previously closed funds.
2. Your current plan may have lower fees than our fees.
  1. If you are interested in investing only in mutual funds, you should understand the cost structure of the share classes available in your employer's retirement plan and how the costs of those share classes compare with those available in an IRA.
  2. You should understand the various products and services you might take advantage of at an IRA provider and the potential costs of those products and services.
3. Our strategy may have higher risk than the option(s) provided to you in your plan.
4. Your current plan may also offer financial advice.
5. If you keep your assets titled in a 401k or retirement account, you could potentially delay your required minimum distribution beyond age 70.5.
6. Your 401k may offer more liability protection than a rollover IRA; each state may vary.
  1. Generally, federal law protects assets in qualified plans from creditors. Since 2005, IRA assets have been generally protected from creditors in bankruptcies. However, there can be some exceptions to the general rules so you should consult with an attorney if you are concerned about protecting your retirement plan assets from creditors.
7. You may be able to take out a loan on your 401k, but not from an IRA.
8. IRA assets can be accessed any time; however, distributions are subject to ordinary income tax and may also be subject to a 10% early distribution penalty unless they qualify for an exception such as disability, higher education expenses or the purchase of a home.
9. If you own company stock in your plan, you may be able to liquidate those shares at a lower capital gains tax rate.
10. Your plan may allow you to hire us as the manager and keep the assets titled in the plan name.

It is important that you understand the differences between these types of accounts and to decide whether a rollover is best for you. Prior to proceeding, if you have questions contact your investment adviser representative, or call our main number as listed on the cover page of this Disclosure Brochure.