

**Brochure  
Form ADV Part 2A**

**Merit Financial Group, LLC**  
**CRD# 142457**

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**September 15, 2020**

This Brochure provides information about the qualifications and business practices of Merit Financial Group, LLC ("Merit"). If you have any questions about the contents of this Brochure, please contact Chief Compliance Officer Amelia B. Wood by telephone at (678) 867-7050 or email at [compliance@meritfa.com](mailto:compliance@meritfa.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 Merit Financial Group, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Please note that the use of the term "registered investment adviser" and description of Merit Financial Group, LLC and/or our associates as "registered" does not imply a certain level of skill or training. You are encouraged to review this Brochure and Brochure Supplements for our firm's associates who advise you for more information on the qualifications of our firm and its employees.

**Item 2. Material Changes**

This Brochure is prepared in the revised format required beginning in 2011. Registered Investment Advisers are required to use this format to inform clients of the nature of advisory services provided, types of clients served, fees charged, potential conflicts of interest and other information. The Brochure requirements include the annual provision of a Summary of Material Changes (the "Summary") reflecting any material changes to our policies, practices, or conflicts of interest made since our last required "annual update" filing. In the event of any material changes, such Summary is provided to all clients within 120 days of our fiscal year-end. Our last annual update was filed on February 27, 2020.

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## Item 4. Advisory Business

### About our Firm:

Merit Financial Group, LLC (hereinafter “Merit,” “the Firm,” “we,” “our,” or “us” refer to Merit and the words, “you,” “your,” or “client” refer to you as either a client or prospective client of our firm) was established as an SEC registered investment advisory firm in 2007. Our mission is to provide a superior level of coordinated, objective advice to help you achieve your financial goals through professional wealth management. We provide our clients with a wide array of advisory services, including asset management, financial planning, retirement plan advice, participant consulting, employee wellness programs and educational workshops.

Merit Financial, Inc. is the principal owner of Merit. Rick L. Kent, the Firm’s Chief Executive Officer and Founder is the sole principal owner of Merit Financial, Inc. In addition, Sans Souci Solutions, LLC (owned by Joseph “Jody” L. Owenby), Wisdom Theory Financial Holdings, LLC (owned by Kay Lynn Mayhue) and SHARP Advisors, Inc. (owned by Kelly Straub) are also owners of Merit. Please see the **Brochure Supplement(s)** for more information on Mr. Kent, Ms. Mayhue, Mr. Owenby and Mr. Straub and other individuals who formulate investment advice and have direct contact with clients or have discretionary authority over client accounts.

The firm also has a network of offices that provide advisory services under local *doing business as* (“DBA”) names. We provide investment advisory services to clients through licensed individuals who are Investment Adviser Representatives of our firm (referred to as your “investment adviser representative” throughout this brochure). Your investment adviser representative could be an independent contractor of our firm. Investment adviser representatives may have their own legal business entities whose business names and/or trademarks may appear on marketing materials as approved by us, or on client statements as accepted by your account’s custodian. Clients should understand that these businesses are legal entities of the investment adviser representative and not of our firm or the custodian. A complete list of our approved DBA names can be found by searching for Merit Financial Group, LLC CRD# 142457 at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

As of December 31, 2019, our total assets under management were \$2,269,716,990 of which, \$2,226,976,463 were on a discretionary basis and \$42,740,527 were on a non-discretionary basis.

### **Asset Management**

#### *Direct Asset Management Services*

We generally follow an established investment management process with a long-term orientation. For most clients, we believe that a long-term diversified approach is the most suitable investment strategy. As part of our asset management services, we may create a portfolio consisting of individual stocks or bonds, exchange traded funds (“ETFs”), options, mutual funds, variable annuities and other public and private securities or investments. We also manage a select group of model asset allocation portfolios, “Merit Model Portfolios” that are used in client accounts, when appropriate. In addition, we may also manage an affiliate advisers’ custom portfolios, either on an individual basis or as part of our firm’s model portfolios.

Each portfolio is designed to meet the client's particular investment goals, risk tolerance and financial circumstances. The client's individual investment strategy is tailored to their specific needs and may include some or all of the previously mentioned strategies and securities. Once a suitable portfolio has been determined, we review the portfolio periodically or as often as necessary and will rebalance and/or recommend modifications to the portfolio as needed.

Each investment adviser representative remains responsible for managing client portfolios directly or using us to assist with managing client portfolios. The experience of our investment adviser representatives who may also serve as portfolio managers will vary from one individual to another. No specific experience standard applies to our investment adviser representatives who will manage accounts, although all must have the knowledge and appropriate registrations to perform these services. Along those same lines, performance results will also vary from one investment adviser representative to another.

We will manage the client's investment portfolio on a discretionary or a non-discretionary basis. As a discretionary investment adviser, we will have the authority to supervise and direct the portfolio without prior consultation with the client. Under a non-discretionary arrangement, clients must be contacted prior to the execution of any trade in the account(s) under management. This can result in a delay in executing recommended trades, which could adversely affect the performance of the portfolio. This delay also normally means the affected account(s) will not be able to participate in block trades, a practice designed to enhance the execution quality, timing and/or cost for all accounts included in the block. In a non-discretionary arrangement, the client retains the responsibility for the final decision on all actions taken with respect to the portfolio.

Clients may impose certain written restrictions in the management of their investment portfolios, such as prohibiting the inclusion of certain types of investments in a portfolio or prohibiting the sale of certain investments held in the account at the commencement of the relationship. Each client should note, however, that restrictions imposed by a client may adversely affect the composition and performance of the client's investment portfolio. Each client should also note that his or her investment portfolio is treated individually by giving consideration to each purchase or sale for the client's account. For these and other reasons, performance of client investment portfolios within the same investment objectives, goals and/or risk tolerance may differ and clients should not expect that the composition or performance of their investment portfolios would necessarily be consistent with those of similar clients.

Investment adviser representatives are free to negotiate the fees to be charged for the services provided within the parameters set by Merit as disclosed **in Item 5 – Fees and Compensation** of this brochure. It is possible that different investment advisor representatives may charge different fees for providing the same service to clients. The specific level of services you will receive and the fees you will be charged will be specified in your asset management agreement ("Agreement").

Clients may elect to pay management fees to us separately from the brokerage expenses of the account. Accordingly, such clients pay a management fee, plus the cost of transactions in the account. Alternatively, some clients have chosen to engage us through our wrap program (the "Wrap Program" or the "Program") in order to simplify the payment of management fees and brokerage expenses. The Wrap Program fee includes the brokerage expenses (i.e., commissions, ticket charges, etc.) of the account as well as our management fee.

Although clients do not pay a transaction charge for transactions in a Wrap account, clients should be aware that Merit and/or your investment adviser representative pays the Custodian(s) transaction charges for those transactions. The transaction charges paid by us vary based on the type of transaction (e.g., mutual fund, equity or ETF) and for mutual funds based on whether or not the mutual fund pays 12b-1 fees and/or recordkeeping fees to custodian(s). Transaction charges paid by the firm/IAR for equities and ETFs are \$0 to \$9. For mutual funds, the transaction charges range from \$0 to \$45. Because Merit and/or your investment adviser representative pays the transaction charges in Wrap accounts, there is a conflict of interest in cases where the mutual fund is offered at both \$0 and \$45. Clients should understand that the cost to the Adviser of transaction charges may be a factor that the Advisers consider when deciding which securities to select and how frequently to place transactions in a Wrap account.

In many instances, LPL Financial makes available mutual funds in Wrap accounts that offer various classes of shares, including shares designated as Class A Shares and shares designed for advisory programs, which can be titled, for example, as “Class I,” “institutional,” “investor,” “retail,” “service,” “administrative” or “platform” share classes (“Platform Shares”). The Platform Share class offered for a particular mutual fund in Wrap accounts in many cases will not be the least expensive share class that the mutual fund makes available, and was selected by LPL in certain cases because the share class pays LPL compensation for the administrative and recordkeeping services LPL provides to the mutual fund.

Clients should understand that other Custodian(s) may offer the same mutual fund at a lower overall cost to the investor than is available through LPL Wrap accounts. In other instances, a mutual fund may offer only Class A Shares, but another similar mutual fund may be available that offers Platform Shares. Class A Shares typically pay Custodian(s) a 12b-1 fee for providing shareholder services, distribution, and marketing expenses (“brokerage-related services”) to the mutual funds. Platform Shares generally are not subject to 12b-1 fees. As a result of the different expenses of the mutual fund share classes, it is generally more expensive for a client to own Class A Shares than Platform Shares. An investor in Platform Shares will pay lower fees over time and keep more of his or her investment returns than an investor who holds Class A Shares of the same fund.

Merit has a financial incentive to recommend Class A or Non-transaction Fee (“NTF”) Shares in cases where both Class A or NTF and Platform Shares are available. This is a conflict of interest which might incline your investment adviser representative, consciously or unconsciously, to render advice that is not disinterested. Although the client will not be charged a transaction fee for transactions, Merit pays LPL a per transaction charge for mutual fund purchases and sales in the account. Merit generally does not pay transaction charges for Class A or NTF Share mutual fund transactions accounts, but generally does pay transaction charges for Platform Share mutual fund transactions. The cost to your investment adviser representative and/or Merit of the transaction charges generally may be a factor which Merit and/or your investment adviser representative considers when deciding which securities to select and whether or not to place transactions in the account.

Merit’s internal policy regarding Mutual Fund shares class selection is that the Merit Investment Team will make the appropriate shares class selection based on account type and account size, per our Merit Investment Policies and Procedures. Account balances below a specified threshold in Merit Model Portfolios (as discussed below in **Item 8**) or American

Funds Model Portfolios accounts will invest in a Mutual Fund share class that are NTF funds, that pay a 12b-1 fee, but are not always Class A shares. This policy is reviewed on a quarterly basis. All model portfolios managed by individual investment advisers and not part of the Merit Model or American Funds portfolios must be invested in Platform shares or best available share class based on the net expense ratio.

The lack of transaction charges to Merit for Class A or NTF Share purchases and sales, together with the fact that Platform Shares generally are less expensive for a client to own, presents a significant conflict of interest between Merit and/or your investment adviser representative and the client. In short, it costs us less to recommend and select Class A or NTF share mutual funds than Platform shares, but Platform shares will generally outperform Class A or NTF mutual fund shares on the basis of internal cost structure alone. Clients should understand this conflict and consider the additional indirect expenses borne as a result of the mutual fund fees when negotiating and discussing with your Advisor the advisory fee for management of an account.

Clients may pay more or less by participating in the Wrap Program than if they arranged to receive the same or similar services in a non-wrap fee arrangement. While we believe that the cost of the Program is competitive with other advisory account offerings, clients are responsible for determining whether the Program is appropriate for them. Our wrap fee program is further described in ***Appendix 1, Wrap Fee Program Brochure***, which is provided to the client at or before the time of establishing a wrap fee account. Because we pay the transaction and execution costs associated with client accounts, this creates a disincentive for us to trade securities in wrap accounts. In order to mitigate this potential conflict of interest, our Firm will periodically test the impact of the Program fees on their clients' accounts.

Before we assess any fees or provide formal advice, we will provide you with an Agreement for your review, understanding and signature. The Agreement includes the terms and conditions under which your assets will be managed. Your execution of the Agreement authorizes our firm to determine the specific securities, and the amount of securities to be purchased or sold for your account for each transaction. The Agreement will remain in effect between you and us until terminated by either party in writing according to the terms within the Agreement. In the event a conflict exists between the Agreement and our Form ADV, the Form ADV shall prevail.

The Agreement will include schedules of the investment accounts you wish us to manage, the specific fees we propose to charge and how we propose to bill and collect those fees. You also have the ability to impose reasonable limits on investment selections and sectors. However, the firm retains the right to decline to enter into a management agreement with any client whose investment restrictions are contrary to the firm's investment strategies.

#### *Separate Account Managers/Third-Party Money Managers*

When appropriate and in accordance with the Investment Plan for a client, we may recommend the use of one or more Separate Account Managers/Third-Party Money Managers, each a "Manager." Having access to various Managers offers a wide variety of management styles and offers clients the opportunity to utilize more than one Manager if necessary, to meet the needs and investment objectives of the client. We will select or recommend the Manager(s) we deem most appropriate for the client. Factors that we

consider in recommending/selecting Managers generally include the client's stated investment objective(s), management style, performance, risk level, reputation, financial strength, reporting, pricing, and research.

The Manager(s) will generally be granted discretionary trading authority to provide investment supervisory services for the portfolio. Under certain circumstances, the Firm retains the authority to terminate the Manager's relationship or to add new Managers without specific client consent. In other cases, the client will ultimately select one or more Managers recommended by us. Fees paid to such Manager(s) are separate from and in addition to the fee assessed by the Firm.

In any case, with respect to assets managed by a Manager, the Firm's role will be to monitor the overall financial situation of the client, to monitor the investment approach and performance of the Manager(s), and to assist the client in understanding the investments of the portfolio.

#### *Asset Management Services through LPL Financial*

In addition to directly managing client assets, we may recommend the portfolio management services available through certain programs sponsored by LPL Financial, LLC ("LPL Financial"). Below is a brief description of each LPL Financial advisory program we recommend. For more information regarding the LPL Financial programs, including the advisory services and fees that apply, the types of investments available in the programs and the potential conflicts of interest presented by the programs, please see the applicable LPL Brochure (or Wrap Brochure) and LPL client agreement.

- *Optimum Market Portfolios Program ("OMP")*  
OMP is a mutual fund wrap program sponsored by LPL Financial that offers portfolios composed of a suite of six multi-manager mutual funds. OMP offers clients the ability to participate in a professionally managed asset allocation program using Optimum Funds from Delaware Investments, class I shares. We assist the client in determining the suitability of OMP and in setting an appropriate investment objective. We then use our discretion to select the asset allocation portfolio designed by LPL Financial consistent with the client's investment objective. The client will provide LPL Financial the discretionary authority to purchase and sell Optimum Funds and rebalance the account pursuant to the portfolio selected for the client. A minimum account value of \$10,000 is required for OMP.
- *Model Wealth Portfolios Program ("MWP")*  
MWP is a wrap program sponsored by LPL Financial that offers clients a professionally managed asset allocation program comprised of exchange traded products ("ETPs") and mutual funds. We will obtain the necessary financial data from the client, assist the client in determining the suitability of the MWP program and assist the client in setting an appropriate investment objective. We initiate the steps necessary to open an MWP account and have discretion to select a model portfolio designed by LPL Financial's Research Department consistent with the client's stated investment objective. LPL Financial's Research Department is responsible for selecting the investments within a model portfolio and for making changes to the investments selected. The client will authorize LPL Financial to act on a discretionary basis to

purchase and sell mutual funds, including in certain circumstances ETPs, and to liquidate previously purchased securities. The client will also authorize LPL to effect rebalancing transactions for MWP accounts.

The MWP program also makes available model portfolios designed by strategists other than LPL Financial's Research Department. When such models are available, we have discretion to choose among the models designed by LPL and outside strategists. A minimum account value of \$10,000 is required for MWP.

- *Managers Access Network ("MAN")*

MAN is a program offered through LPL Financial, which enables our high-net-worth clients to have access to a variety of institutional portfolio managers at lower account value minimums. A broad range of portfolio managers and multiple investment styles are available, including equity, fixed income, mutual funds and ETFs. We contract directly with the client to provide advisory services, including, but not limited to, asset allocation, portfolio manager recommendations and account monitoring. The clients' contract directly with the portfolio managers for discretionary asset management services and LPL Financial provides only the brokerage, custodial and administrative services. A minimum account value of \$100,000 is required for equity MAN strategies or \$250,000 for fixed income strategies.

- *Manager Access Select ("MAS")*

MAS is a separately managed wrap account program provided through the LPL Financial platform that offers clients access to professionally managed, customized strategies and a variety of institutional managers. We will obtain the necessary financial data from the client and assist the client in determining the suitability of the MAS program. We initiate the steps necessary to open a MAS account and have discretion to select the overall models and portfolio managers, the managers are responsible for trading decisions and rebalancing within each asset class or account(s). We have the option to utilize LPL Financial's Research Department list of recommended money managers, whom have been heavily researched and engaged in a detailed vetting process. The client will authorize the money managers to act on a discretionary basis to purchase and sell individual securities, mutual funds, and ETFs. The minimum account value varies by strategy, but typically begins at \$50,000 for model delivery strategies, \$100,000 for equity strategies and \$250,000 for fixed income strategies.

- *Guided Wealth Portfolios ("GWP")*

GWP is a program offered through LPL Financial, which is an advisor-driven digital advice platform that combines our valuable advice with an online investment portal. GWP brings our clients exciting new technology while keeping us in the center of the relationship. Clients get the best of both worlds in one tool—a digital investment platform and a personal relationship. GWP will help clients work toward their financial goals through a diversified portfolio that matches both their investment timeline and risk preferences. LPL Research, our partner and portfolio manager, created the allocations for GWP portfolios using nine primary ETFs. All GWP portfolios are made up of a mix of low-cost exchange-traded funds. ETFs can provide clients a diversified portfolio and are traded like stocks, making it easier to take advantage of market changes and potential tax-saving opportunities. GWP portfolios may contain up to nine



ETFs—six equity and three fixed income—each in line with a different index target and invested in U.S. or foreign stocks and bonds. A minimum account value of \$5,000 is required.

### **Financial Planning**

We provide a variety of financial planning services to individuals, families and other types of clients regarding the management of their financial resources. Our comprehensive planning services involve analysis of the client's overall financial situation, goals and objectives and typically addresses multiple financial planning topics based on the client's individual needs and circumstances. Comprehensive planning services clients will receive a full written financial plan. We also offer more limited-focus planning advice that covers only those specific areas of concern mutually agreed upon by us and the client.

Planning advice may encompass one or more of the following areas, but not limited to: Investment Planning, Retirement Planning, Estate Planning, Charitable Planning, Education Planning, Corporate and Personal Tax Planning, Cost Segregation Study, Corporate Structure, Real Estate Analysis, Mortgage/Debt Analysis, Insurance Analysis, Lines of Credit Evaluation, Business and Personal Financial Planning.

Our planning advice generally includes financial recommendations for a course of activity or specific actions to be taken by the client. For example, recommendations may be made that the client begins or revises investment programs, create or revise wills or trusts, obtain or revise insurance coverage, commence or alter retirement savings, or establish education or charitable giving programs.

In some situations, the client can elect to receive a verbal summary of our review, conclusions and recommendations. However, when financial planning services are comprehensive in nature, we typically prefer to prepare a written financial plan. The client's Financial Planning Agreement with us will set forth the type of report the client will receive.

It should be noted that we may refer clients to an accountant, attorney or other specialist, as necessary for non-advisory related services. Implementation of the recommendations will be at the discretion of the client and we will not be responsible for the selection of the service provider or any liability arising from the selection of any service provider.

### **Merit Compass Program**

Merit Compass is a program offered to help clients realize the value of their employer's benefits package, understand all options available within their benefits package, and how to take advantage of those benefits to work towards a secure future. These services are offered on an employee participant level. We analyze the client's situation and the employer's benefits options in light of current market conditions. Our goal is to help clients to minimize their risk while also taking advantage of changing market conditions and trends to help their goals become reality. The Merit Compass Program includes, but is not limited to, analyses of the client's current retirement plan options, investment selection and rebalancing. The client is responsible for implementing the recommendations we provide at their discretion.

### **Financial Wellness Program**

Financial health is a major component of employee wellness and can drive engagement, productivity and success. We partner with our affiliated company to introduce their turnkey financial wellness program, which provides employers with the tools to measure and help

improve their employees' financial well-being. This service and entity is separate from our investment advisory services and our investment adviser representatives are not compensated for this referral. It is essentially a tool that advisers within Merit may provide their retirement plan employers as part of the employer's benefits package.

### **Retirement Plan Advisory Services**

Establishing a sound fiduciary governance process is vital to good decision-making and to ensuring that prudent procedural steps are followed in making investment decisions. We will provide Retirement Plan consulting services to Retirement Plans and Retirement Plan Fiduciaries as described below. The particular services provided will be detailed in our written agreement. Retirement Plan Fiduciary(ies) designated in the Retirement Plan documents (e.g., the Plan sponsor or named fiduciary) will (i) make the decision to retain our firm; (ii) agree to the scope of the services that we will provide; and (iii) make the ultimate decision as to accepting any of the recommendations that we may provide. The Retirement Plan Fiduciaries are free to seek independent advice about the appropriateness of any recommended services for the Retirement Plan. Retirement plan consulting services may be offered individually or as part of a comprehensive suite of services.

The Employee Retirement Income Security Act of 1974 ("ERISA") sets forth rules under which Retirement Plan Fiduciaries may retain investment advisers for various types of services with respect to Plan assets. For certain services, Merit will be considered a fiduciary under ERISA. For example, we will act as an ERISA § 3(21) fiduciary when providing non-discretionary investment advice to the Retirement Plan Fiduciaries by recommending a suite of investments as choices among which Retirement Plan Participants may select. Also, to the extent that the Retirement Plan Fiduciaries retain us to act as an investment manager within the meaning of ERISA § 3(38), we will provide discretionary investment management services to the Plan.

With respect to any account for which we meet the definition of a fiduciary under Department of Labor rules, we acknowledge that both the Firm and its related persons are acting as fiduciaries. Additional disclosure may be found elsewhere in this Brochure or in the written agreement between us and the client.

### **Fiduciary Consulting Services**

- **Investment Selection Services:** We will provide Retirement Plan Fiduciaries with recommendations of investment options consistent with ERISA section 404(c). Retirement Plan Fiduciaries retain responsibility for the final determination of investment options and for compliance with ERISA section 404(c).
- **Non-Discretionary Investment Advice:** We will provide Retirement Plan Fiduciaries and Retirement Plan Participants general, non-discretionary investment advice regarding asset classes and investments.
- **Investment Monitoring:** We will assist in monitoring the retirement plan's investment options by preparing periodic investment reports that document investment performance, consistency of fund management and conformation to the guidelines set forth in the investment policy statement and make

recommendations to maintain or remove and replace investment options. The details of this aspect of service will be enumerated in the engagement agreement between the parties.

#### Fiduciary Management Services

- Discretionary Management Services: When retained as an investment manager within the meaning of ERISA § 3(38), we will provide continuous and ongoing supervision over the designated retirement plan assets. We will actively monitor the designated retirement plan assets and provide ongoing management of the assets. When applicable, we will have discretionary authority to make all decisions to buy, sell or hold securities, cash or other investments for the designated retirement plan assets in our sole discretion without first consulting with the Retirement Plan Fiduciaries. We will also have the power and authority to carry out these decisions by giving instructions, on your behalf, to brokers and dealers and the qualified custodian(s) of the Retirement Plan for our management of the designated retirement plan assets.
- Investment Management via Model Portfolios: We will provide discretionary management of Model Portfolios among which the participants may choose to invest as retirement plan options. Retirement Plan Participants will also have the option of investing only in options that do not include Model Portfolios (i.e., the Retirement Plan Participants may elect to invest in one or more of the mutual fund options made available in the Retirement Plan, and choose not to invest in the Model Portfolios at all).

#### Non-Fiduciary Services

- Participant Education: We will provide education services to Retirement Plan Participants about general investment principles and the investment alternatives available under the Retirement Plan. Education presentations will not take into account the individual circumstances of each Retirement Plan Participant and individual recommendations will not be provided unless a Retirement Plan Participant separately engages us for such services. Retirement Plan Participants are responsible for implementing transactions in their own accounts.
- Participant Enrollment: We will assist with group enrollment meetings designed to increase retirement plan participation among employees and investment and financial understanding by the employees.

#### **Educational Workshops and Seminars**

From time to time, we may offer expertise, at no cost, through educational financial workshops presented for individuals and business owners. Presentations focus on a variety of investment and financial planning topics.

## Item 5. Fees and Compensation

### General Fee Information

Our fees are separate and distinct from the internal fees and expenses charged by third party managers, mutual funds, ETFs (exchange traded funds) or other investment pools to their shareholders (generally including a management fee and fund expenses, as described in each fund's prospectus or offering materials). You may also incur variable annuity/insurance fees and surrender charges. It is also important to note that it is possible, different investment advisor representatives may charge different fees for providing the same types and level of service to clients. The specific level of services you will receive and the fees you will be charged will be specified in your Asset Management Agreement. The annual fee is divided and paid quarterly in advance through a direct debit to your account. The client should review our fees and the fees charged by managers, funds, brokers, and others to fully understand the total amount of fees paid by the client for investment and financial-related services. Please see **Item 12 - Brokerage Practices** for additional information.

### Asset Management Fees

#### *Direct Asset Management Fees*

The annual investment advisory fee charged ranges up to a maximum of 1.75% of the assets held in the account. Asset Management Fees are negotiable depending on the representative providing the management services, the market value of the account, asset types, complexity of the client's portfolio, the client's financial situation, level of portfolio trading activity, anticipated future assets, the relationship of the client to the advisor and additional services requested or performed. Fee waivers or discounts can be offered to Owners, Directors, Officers and Associated Persons of Merit and our related companies in addition to family members and friends of associated persons of Merit which are not available to Clients.

It is important to note that it is possible that different investment advisor representatives may charge different fees for providing the same types and level of service to clients. The specific level of services you will receive and the fees you will be charged will be specified in your asset management agreement. The annual fee is divided and paid quarterly in advance through a direct debit to your account. Our fees may be higher or lower than fees charged by other financial professionals offering similar services.

Annual fees are billed pro-rata on a quarterly basis in advance and are based on the value of your account on the last day of the previous quarter. Adjustments are made for deposits and withdrawals.<sup>1</sup> Our fees may be negotiable, and in certain circumstances, a tiered fee schedule may be provided.

Fees are generally automatically deducted from the client's managed account in accordance with the authority granted by the client pursuant to the executed Asset Management Agreement. Clients will receive account statements from the custodian at least quarterly, reflecting the value of their account holdings and all deposits and disbursements from their account(s), including the amount of the advisory fees paid to us.

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<sup>1</sup> For accounts maintained at Fidelity Institutional and/or TD Ameritrade (or their affiliates), fees will only be prorated for intra-quarter deposits or withdrawals of \$100,000 or greater.

Some investment advisers require that clients pay management fees in addition to the brokerage expenses of the account. Accordingly, clients of those investment advisers would pay a management fee, plus the cost of transactions in the account. Alternatively, we also provide services through our Wrap Program in order to simplify the payment of management fees and brokerage expenses.

Clients participating in our Wrap Program will pay one inclusive fee, this fee includes the brokerage expenses (i.e., commissions, ticket charges, etc.) of the account as well as our management fee. Clients may pay more or less by participating in the Wrap Program than if they arranged to receive the same or similar services in a non-wrap fee arrangement. While we believe that the cost of the Program is competitive with other advisory account offerings, clients are responsible for determining whether the Program is appropriate for them. Our wrap fee program is further described in **Appendix1, Wrap Fee Program Brochure**, which is provided to the client at or before the time of establishing a wrap fee account. Because we pay the transaction and execution costs associated with client accounts, this creates a disincentive for us to trade securities in wrap accounts. In order to mitigate this potential conflict of interest the Firm will periodically test the impact of the Program fees on our clients' accounts.

In the event that you wish to terminate our services, we will refund the unearned portion of our advisory fee to you. Upon notification of termination or within a reasonable time after learning of your termination of our services, we will seek to return pro-rata, a refund of unearned advisory fees.

#### *Billing Cycle*

We bill the annual advisory fee on a quarterly basis and in advance, at the beginning of the calendar quarter. Fees are based on the value of the account on the last business day of the previous quarter. For accounts maintained at Fidelity Institutional and TD Ameritrade or their affiliates, if asset management services are commenced in the middle of a billing period, the prorated fee for the initial billing period is billed in arrears at the same time as the next full billing period's fee is billed. In the event that a deposit in excess of \$100,000<sup>2</sup> occurs during a billing period after the fee calculation, the fee for the billing period will be recalculated at the end of the billing period and Merit will bill you a second fee pro-rata, in arrears, on the additional deposits. In the event that a withdrawal in excess of \$100,000 occurs during a billing period after the fee calculation, the fee for that billing period will be recalculated at the end of the billing period and you will be refunded the pro-rata fee that was attributable to the amount of the withdrawal. The Custodian will send client statements at least quarterly, showing all payouts from the account including the advisory fee, if deducted from the account.

#### *Separate Account Manager/Third-Party Money Manager Fees*

We are compensated by Managers for services rendered on Separately Managed Accounts. The compensation paid to us is typically the same as our stated investment advisory fee percentage. The Manager will also have an agreed upon fixed fee that will be disclosed to the client and charged in addition to our advisory fee. The fee paid to the Manager can be higher or lower than our fee depending on the type of investment strategy utilized within the

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<sup>2</sup> For accounts maintained at Fidelity Institutional and/or TD Ameritrade (or their affiliates), fees will only be prorated for intra-quarter deposits or withdrawals of \$100,000 or greater.

account. The terms and conditions under which the client shall engage the Manager shall generally be set forth in a tri-party agreement between the client, our firm and the designated Manager.

In certain cases, our associated persons recommend clients to third party investment advisors that offer asset management services to clients. We are paid by third party money managers when we recommend you to them and you decide to open a managed account. Fees paid to us by third party money managers are generally ongoing. The separate written disclosures provided include a copy of the third-party money manager's Form ADV Part 2, all relevant Brochures, detailing the fees we are paid, and a copy of the third-party money manager's privacy notice. The third-party money managers we recommend will not directly charge you a higher fee than they would have charged without us introducing you to them. Third party money managers establish and maintain their own separate billing processes over which we have no control. In general, they will directly bill you and describe how this works in their separate written disclosure documents. Please see **Item 10 – Other Financial Affiliations and Activities** for more information.

#### *Fees for Asset Management through LPL Financial*

Annualized fees for participation in LPL Financial advisory programs are negotiable and vary up to maximum of 2.50%. We can share in the account fee and other fees associated with program accounts with LPL Financial. Account fees are payable quarterly in advance. For specific information regarding the fees associated with the LPL Financial programs, please see the applicable LPL Brochure (or Wrap Brochure) and LPL client agreement.

LPL Financial serves as program sponsor, investment advisor and broker-dealer for the LPL Financial advisory programs. Some of our associated persons are also registered representatives of LPL Financial; further, transactions in LPL Financial advisory program accounts are generally effected through LPL Financial as the executing broker-dealer. We receive compensation as a result of a client's participation in an LPL Financial program. Depending on, among other things, the size of the account, changes in its value over time, the ability to negotiate fees or commissions, and the number of transactions, the amount of this compensation may be more or less than what the Advisor would receive if the client participated in other programs, whether through LPL Financial or another sponsor, or paid separately for investment advice, brokerage and other services.

#### **Financial Planning Fees**

We generally charge a flat fee for financial planning services. The total estimated fee, as well as the ultimate fee that we charge you, is based on the scope and complexity of our engagement with you and typically will not exceed \$50,000. In more complex planning engagements, we may impose an hourly based fee not to exceed \$500 per hour. Clients may be required to deposit a retainer prior to our commencement of planning services. The retainer will be applied to the client's final charge. The client's financial planning fee arrangement and retainer requirement is detailed in the client's Financial Planning Agreement with us.

In most instances, these services automatically renew on an annual basis. Either party may terminate services at any time upon notice to the other party. Termination will be effective immediately upon receipt of notice. The client will be responsible for the time expended to

the date notice of termination was received. We will provide a statement detailing the time expended by the client's financial advisor and the pro-rated amount refunded to or due from the client.

You may pay the investment advisory fees owed for the financial planning services by submitting payment directly (for example, by check), having the fee deducted from an existing investment account or credit card. If you elect to pay by credit card, you will be responsible for providing all credit card information to an unaffiliated credit card processing service provider. Clients will also be responsible for approving the initial payment for one-time charges and/or for the on-going payment schedule for the ongoing service provided your Investment Advisor Representative. The unaffiliated credit card processor will process payment requests in the amounts and on such time frames (monthly, quarterly etc.) as specified in your Financial Planning Agreement. All charges for using the credit card processing service will be borne by Merit and/or our representatives. Merit will be paid the financial planning fee net of any processing charges imposed by the credit card processor. If you elect to pay by automatic deduction from an existing investment account, you will provide written authorization to the appropriate custodian for such charge. You should notify Merit or your investment adviser representative(s) within ten (10) days of receipt of an invoice if you have questions about or dispute any billing entry.

#### **Merit Compass Program Fees**

Clients participating in the Merit Compass program are charged an annual fee of \$299, payable at the time the client agreement is signed. Clients may then elect to have fees billed directly to them, to have fees automatically deducted from an existing account, or to have fees paid by a direct credit card payment authorization going forward. Your account custodian may require written authorization to have fees deducted and paid directly to us. Services are automatically renewed on the anniversary date of the original agreement at the same price as was agreed upon unless terminated by the parties.

Either party may terminate Merit Compass Program services by providing notice to the other party. Termination will be effective immediately upon receipt of notice.

#### **Retirement Plan Advisory Service Fees**

Retirement plan advisory fees are individually negotiated with the Fiduciary(ies) of each Retirement Plan and may take the form of an asset-based, fixed and/or hourly fee arrangement. Factors considered when determining the fee may include, without limitation, the size of the Retirement Plan and number of Retirement Plan Participants, the scope and complexity of services to be provided, and whether the selected services will be ongoing or periodic in nature. The Retirement Plan's specific fee arrangement will be detailed in the Retirement Plan's contract with us. The majority of our retirement plans are billed by the record keeper, quarterly in arrears based upon the value of the plan's assets on the last day of the current quarter.

#### **Other Compensation**

Many of our investment adviser representatives are licensed insurance agents and are also associated with LPL Financial as broker-dealer registered representatives ("Dually Registered Persons"). As such, they are entitled to receive commissions or other remuneration on the sale of securities and insurance products, including distribution or service ("trail") fees from the sale of mutual funds in non-advisory accounts. The recommendation that a client purchase a commission product from our Dually Registered

Persons presents a conflict of interest as the receipt of commissions provides an incentive to recommend investment products based on the commission to be received, rather than on a particular client's need. No client is under any obligation to purchase any commission product from our Dually Registered Persons. To mitigate this conflict of interest, our Dually Registered Persons, are supervised by both LPL Financial and our Firm's compliance programs. The firm's Chief Compliance Officer Amelia Wood remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.

As a result of this relationship, LPL Financial may have access to certain confidential information (e.g., financial information, investment objectives, transactions, and holdings) about our clients, even if the client does not establish any account through LPL Financial. If you would like a copy of LPL Financial's privacy notice, please contact us.

#### *Expense Reimbursements*

We will from time to time receive expense reimbursement for travel and/or marketing expenses from distributors of investment and/or insurance products. Travel expense reimbursements are typically a result of attendance at due diligence and/or investment training events hosted by product sponsors. Marketing expense reimbursements are typically the result of informal expense sharing arrangements in which product sponsors underwrite the costs incurred for marketing such as client appreciation events, advertising, publishing, and seminar expenses. Although receipt of these travel and marketing expense reimbursements are not predicated upon specific sales quotas, the product sponsor reimbursements are typically made by those sponsors for which sales have been made or for which it is anticipated sales will be made. This creates a conflict of interest in that there is an incentive to recommend certain products and investments based on the receipt of this compensation instead of what is in the best interest of our clients. We attempt to control this conflict by always basing investment decisions on the individual needs of our clients.

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

The Firm does not have any performance-based fee arrangements. "Side-by-Side Management" refers to a situation in which the same firm manages accounts that are billed based on a percentage of assets under management and at the same time manages other accounts for which fees are assessed on a performance fee basis. Because we have no performance-based fee accounts, we have no side-by-side management.

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

We serve individuals, high net worth individuals, pension and profit-sharing plans, corporations, trusts, estates and charitable organizations. We may impose a minimum fee or minimum account balance for our asset management services, as set forth in the Asset Management Agreement.

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

#### Methods of Analysis

In accordance with each client's investment plan, we will generally invest in mutual funds, ETFs, common stock, individual bonds and variable annuities.



Mutual funds and ETFs are generally evaluated and selected based on a variety of factors, including, as applicable and without limitation, past performance, fee structure, portfolio manager, fund sponsor, overall ratings for safety and returns, and other factors.

Our primary method of evaluating equities is the use of fundamental analysis. Fundamental analysis attempts to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell). Fundamental analysis does not attempt to anticipate market movements.

We may also incorporate technical (charting) and/or cyclical analysis. Technical analysis involves studying past price patterns and trends in the financial markets to predict the direction of both the overall market and specific stocks. This price and volume information is analyzed using mathematical equations. The resulting data is then applied to graphing charts, which is used to predict future price movements based on price patterns and trends. Cyclical analysis is a type of technical analysis that involves identifying recurring price patterns and trends.

Fixed income investments may be used as a strategic investment, as an instrument to fulfill liquidity or income needs in a portfolio, or to add a component of capital preservation. Merit will generally evaluate and select individual bonds or bond funds based on a number of factors including, but not limited to: rating, yield and duration.

We generally invest client's cash balances in money market funds, FDIC Insured Certificates of Deposit, high-grade commercial paper and/or government backed debt instruments. Ultimately, we try to achieve the highest return on our client's cash balances through relatively low-risk conservative investments. In most cases, at least a partial cash balance will be maintained in a money market account so that we may debit advisory fees for certain services. We charge fees on these allocations.

#### Investment Strategies

The Firm's strategic approach is to invest each portfolio in accordance with the investment plan that has been developed specifically for each client. This means that the following strategies may be used in varying combinations over time for a given client, depending upon the client's individual circumstances.

This means that the following strategies may be used in varying combinations over time for a given client, depending upon the client's individual circumstances.

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.

Short Sales – a securities transaction in which an investor sells securities he or she borrowed in anticipation of a price decline. The investor is then required to return

an equal number of shares at some point in the future. A short seller will profit if the stock goes down in price.

Options Trading/Writing: a securities transaction that involves buying or selling (writing) an option. If you write an option, and the buyer exercises the option, you are obligated to purchase or deliver a specified number of shares at a specified price at the exercise of the option regardless of the market value of the security at expiration of the option. Buying an option gives you the right to purchase or sell a specified number of shares at a specified price until the date of expiration of the option regardless of the market value of the security at expiration of the option.

Our firm's primary investment strategy is advising long term purchases (securities held at least a year). To a lesser extent, we may also recommend short term purchases with the expectation that the security will be sold within a relatively short period of time, generally less than one year. We may also advise other strategies based on the complexity and scope of a client's portfolio.

We manage portfolios on a client-custom basis utilizing a host of techniques. In addition, we may structure client portfolios around one or more portfolio models designed to build long-term wealth while maintaining risk tolerance and loss threshold levels acceptable to you. The Merit Model Portfolios are primarily comprised of mutual funds, exchange traded funds and to a lesser extent, individual bonds and stocks. The model portfolios have different "target" allocations among various asset classes, thus diversifying a client's investment dollars across a host of investments and spreading risks in a more prudent manner.

### **Merit Model Portfolios**

Merit manages six model portfolios, referred to as "Merit Sleeves." The sleeves will vary in risk and composition. All sleeves primarily invest in relevant ETFs and mutual funds. Selection is based primarily on sector exposure and fund expense. Clients may fully invest into a single Merit Sleeve or a blend of multiple sleeves, based on risk tolerance and time horizon. The remaining sleeves may be utilized as supplemental additions or standalone portfolios from the Core Sleeves.

#### *Core Equity*

The Core Equity Sleeve is a broadly diversified equity strategy that represents Merit's highest conviction equity investments for the current economy and financial markets. The primary objective is long-term capital appreciation. The sleeve composition may typically include U.S. large cap equities, U.S. small-mid cap equities and developed and emerging market equities. The sleeve may overlap strategies with the Low Volatility Equity and Opportunistic Equity Sleeves, based on Merit's outlook.

#### *Core Fixed Income*

The Core Fixed Income Sleeve is a broadly diversified fixed income strategy that represents Merit's highest conviction fixed income investments for the current economy and financial markets. The primary objective is a positive total return in excess of inflation and fees. The sleeve composition may typically include short to intermediate-term fixed income, mortgage bonds, corporate bonds, below investment-grade bonds, as well as some income alternatives. The sleeve may overlap strategies with the Capital Preservation and Alternative Income Sleeves, based on Merit's outlook.

### *Capital Preservation*

The Capital Preservation Sleeve is a broadly diversified fixed income strategy. The primary objective is preservation of capital with income as a secondary objective. The purpose of the sleeve is to provide a positive return by minimizing credit and duration risk. The sleeve composition may typically include nearly 100% short-term bonds, over 80% investment-grade fixed income, and certain laddered bond strategies.

### *Low Volatility Equity*

The Low Volatility Equity Sleeve is a broadly diversified equity strategy. The primary objective is capital appreciation with downside protection. The purpose of the strategy is a majority exposure to equities that includes over-weight to defensive equity sectors and reduced downside during periods of increased market volatility. Sleeve composition may typically include dividend-focused equity strategies, defensive sector equities, and optimized minimum volatility strategies.

### *Opportunistic Equity*

The Opportunistic Equity Sleeve is a broadly diversified equity strategy. The primary objective is long-term capital appreciation. The purpose is to provide a higher expected risk and return as compared to the Core Equity Sleeve. Sleeve composition may include U.S. equities developed and emerging market equities, foreign small-cap equities, master limited partnerships, and concentrated sector allocations.

### *Alternative Income*

The Alternative Income Sleeve is a broadly diversified income strategy. The primary objective is to maximize current income. The purpose of this strategy is to place higher focus on income production rather than capital appreciation. Sleeve composition may typically include mortgage bonds, corporate bonds, below investment-grade bonds, foreign bonds, income producing closed-end funds, master limited partnerships, and dividend-paying equities.

### Risk of Loss

While the Firm seeks to diversify clients' investment portfolios across various asset classes consistent with their Investment Plans in an effort to reduce risk of loss, all investment portfolios are subject to risks. Accordingly, there can be no assurance that client investment portfolios will be able to fully meet their investment objectives and goals, or that investments will not lose money.

Below is a description of several of the principal risks that client investment portfolios face.

*Management Risks.* While the Firm manages client investment portfolios, or recommends one or more Managers, based on experience, research and proprietary methods, the value of client investment portfolios will change daily based on the performance of the underlying securities in which they are invested. Accordingly, client investment portfolios are subject to the risk that we or a Manager allocates client assets to individual securities and/or asset classes that are adversely affected by unanticipated market movements, and the risk that our specific investment choices could underperform their relevant indexes.

*Risks of Investments in Mutual Funds, ETFs and Other Investment Pools.* As described above, the Firm or a Manager(s) may invest client portfolios in mutual funds, ETFs and other investment pools ("pooled investment funds"). Investments in pooled investment funds are generally less risky than investing in individual securities because of their diversified

portfolios; however, these investments are still subject to risks associated with the markets in which they invest. In addition, pooled investment funds' success will be related to the skills of their particular managers and their performance in managing their funds. Pooled investment funds are also subject to risks due to regulatory restrictions applicable to registered investment companies under the Investment Company Act of 1940.

*ETF Liquidity Risks.* While the risks of owning shares of an ETF generally reflect the risks of owning the underlying investments of the ETF, lack of liquidity in an ETF can result in its value being more volatile than the underlying portfolio investments. Trading in shares may be halted because of market conditions or for reasons that, in the view of an exchange, make trading in shares inadvisable. In addition, trading in shares is subject to trading halts caused by extraordinary market volatility pursuant to "circuit breaker" rules. There can be no assurance that the requirements necessary to maintain the listing of the shares of the Fund will continue to be met or will remain unchanged.

*Equity Market Risks.* The Firm and any Manager(s) will generally invest portions of client assets directly into equity investments, primarily stocks, or into pooled investment funds that invest in the stock market. As noted above, while pooled investments have diversified portfolios that may make them less risky than investments in individual securities, funds that invest in stocks and other equity securities are nevertheless subject to the risks of the stock market. These risks include, without limitation, the risks that stock values will decline due to daily fluctuations in the markets, and that stock values will decline over longer periods (e.g., bear markets) due to general market declines in the stock prices for all companies, regardless of any individual security's prospects.

*Fixed Income Risks.* The Firm and any Manager(s) may invest portions of client assets directly into fixed income instruments, such as bonds and notes, or may invest in pooled investment funds that invest in bonds and notes. While investing in fixed income instruments, either directly or through pooled investment funds, is generally less volatile than investing in stock (equity) markets, fixed income investments nevertheless are subject to risks. These risks include, without limitation, interest rate risks (risks that changes in interest rates will devalue the investments), credit risks (risks of default by borrowers), or maturity risk (risks that bonds or notes will change value from the time of issuance to maturity).

*Foreign Securities Risks.* The Firm and any Manager(s) may invest portions of client assets into pooled investment funds that invest internationally. While foreign investments are important to the diversification of client investment portfolios, they carry risks that may be different from U.S. investments. For example, foreign investments may not be subject to uniform audit, financial reporting or disclosure standards, practices or requirements comparable to those found in the U.S. Foreign investments are also subject to foreign withholding taxes and the risk of adverse changes in investment or exchange control regulations. Finally, foreign investments may involve currency risk, which is the risk that the value of the foreign security will decrease due to changes in the relative value of the U.S. dollar and the security's underlying foreign currency.

*Short Selling Risk.* When an investor makes a short sale, the investor will often borrow the security sold short and deliver the security to the broker-dealer through which the investor made the short sale as collateral for the investor's obligation to deliver the security upon conclusion of the investment. In connection with short sales of securities, the investor may pay a fee to borrow securities or maintain an arrangement with a broker to borrow securities

and is often obligated to pay over any accrued interest and dividends on such borrowed securities. At the conclusion of the investment, the investor will purchase an amount of the security sold short for delivery to the broker-dealer or pay an equivalent amount in cash to close out the trade. If the price of the security sold short increases between the time of the short sale and the time that the investor closes out the trade, the investor will incur a loss; conversely, if the price declines, the investor will realize a capital gain. Any gain will be decreased, and any loss increased, by the transaction costs described above. Accordingly, it is possible that a client selling short may lose more than the initial amount invested in the short sale, and the amount of such loss is theoretically unlimited.

*Options Risk.* A small investment in options could have a potentially large impact on an investor's performance. The use of options involves risks different from, or possibly greater than, the risks associated with investing directly in the underlying assets. Derivatives can be highly volatile, illiquid and difficult to value, and there is the risk that a hedging technique will fail if changes in the value of a derivative held by an investor do not correlate with the securities being hedged.

## **Item 9. Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of the Firm or the integrity of our management. We have no disciplinary events to report.

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

### Broker-Dealer and Insurance Activities

As mentioned above, many of our firm's advisory representatives are also registered representatives of LPL Financial, a broker-dealer and member FINRA/SIPC. Additionally, our investment advisor representatives may be licensed insurance agents. These activities present a conflict of interest to the extent that the representatives may recommend that a client invest in a security or purchase a product which results in a commission being paid to him/her. In order to mitigate this conflict, we disclose such commission arrangements to our clients before the client purchases any such products. Further, our representatives, as fiduciaries, are required to act in clients' best interests at all times.

Certain Financial Advisors at our firm recommend clients to unaffiliated third-party investment advisors which offer asset management services to clients. As a result, these Financial Advisors will be paid a portion of the fee charged and collected by the third-party investment advisor. This presents a conflict of interest as our Financial Advisors may have incentive to refer clients to a third-party investment advisor that has agreed to pay a portion of its advisory fee to our Financial Advisors. To mitigate this conflict, our Financial Advisor's must act solely in the best interest of each of our clients at all times. Our firm performs a due diligence review on all third-party money management firms to ensure that they are properly registered.

### Unaffiliated Registered Investment Adviser Relationship

As noted in **Item 4**, Merit also has a network of offices that provide advisory services under local DBAs. A few of these offices also provide separate financial planning services under their own registered investment adviser firms.

Scott “Parker” Inabnet and certain other investment adviser representatives of Merit do business under a separate state registered investment advisory firm, I.M. Wealth Care, LLC (“IMWC”) from which these individuals exclusively provide financial planning services for a fee.

Steve Pollock and Sean Storck of Merit do business under a separate registered investment advisory firm, Reason Financial (“Reason”), from which these individuals exclusively provide financial planning services for a fee.

IMWC and Reason are not affiliated with Merit. Financial planning advice provided by IMWC and Reason are separate and distinct from the advisory services offered by Merit. Clients engaging the services of IMWC or Reason will sign that firm’s separate financial planning agreement. Merit does not share any portion of IMWC’s or Reason’s fees. Although either of these firms may recommend Merit’s services, neither pays referral fees to the other, and clients are not obligated to use either service. As a result of this relationship, Merit may have access to certain confidential information (e.g., financial information, investment objectives, transactions, and holdings) about joint clients of the firms.

#### Seminars

From time to time, we provide financial seminars on investing topics at no cost to clients and prospective clients of the Firm. Certain expenses associated with a seminar (e.g., refreshments, presentation materials, venue costs, etc.) may be paid for by a mutual fund company, ETF provider, insurance company or other investment firm. Due to receipt of the foregoing benefits, we have a conflict of interest if we recommend such companies’ products and services. We address this issue by providing the seminar attendees disclosure of these arrangements when applicable.

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

The Firm has established a Code of Ethics (“the Code”) which applies to all associated persons. As a registered investment advisory firm, we have a fiduciary duty to all clients and must provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. Our fiduciary duty is the core underlying principle of our Code, which also includes Insider Trading and Personal Securities Transactions Policies and Procedures.

We require all associated persons to conduct business with a high level of ethical standards, in an honest and fair manner and comply with federal and state securities laws at all times. Upon employment or affiliation and at least annually thereafter, all associated persons sign an acknowledgement that they have read, understand, and agree to comply with our Code. This disclosure is provided to give clients a summary of our Code. However, if a client or a potential client wishes to review our Code in its entirety, a copy will be provided promptly upon request.

We believe that if investment goals are similar for clients and associated persons of the Firm, it is logical and even desirable that there be common ownership of some securities. We have adopted procedures designed to reduce or eliminate conflicts of interest that this could potentially cause. The Code’s personal trading policies include procedures for limitations on personal securities transactions of associated persons, reporting and review of such trading and pre-clearance of certain types of personal trading activities. These policies are designed

to discourage and prohibit personal trading that would disadvantage clients. In the event of any identified potential trading conflicts of interest, our goal is to place client interests first. The Code also provides for disciplinary action as appropriate for violations.

Finally, when possible, related persons' accounts will be included in a block trade with client accounts to ensure the same timing and pricing of the security. If a block trade cannot be done, our related persons must wait until the next day to buy or sell for themselves the same securities as our clients.

## **Item 12. Brokerage Practices**

We seek to recommend a custodian/broker-dealer who will hold your assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. We consider a wide range of factors, which may include, but is not limited to the following:

- Timeliness of execution
- Timeliness and accuracy of trade confirmations
- Research services provided
- Ability to provide investment ideas
- Execution facilitation services provided
- Record keeping services provided
- Custody services provided
- Frequency and correction of trading errors
- Ability to access a variety of market venues
- Expertise as it relates to specific securities
- Financial condition
- Business reputation
- Quality of services

While our firm may recommend that clients establish brokerage accounts with certain broker-dealers, clients are advised that they are under no obligation to implement our recommendations and can choose a broker-dealer at their discretion. Clients may pay commissions or fees that are higher or lower than those that may be obtained elsewhere for similar services.

### **LPL Financial**

The Firm recommends that clients establish brokerage accounts with LPL Financial, a FINRA registered broker-dealer, member SIPC, as the qualified custodian to maintain custody of clients' assets. We receive support services and/or products from LPL Financial, many of which assist us to better monitor and service program accounts maintained at LPL Financial. These support services and/or products may be received without cost, at a discount, and/or at a negotiated rate. Where such services are provided by a third-party vendor, LPL Financial will either make a payment to us to cover the cost of such services, reimburse us for the cost associated with the services or pay the third-party vendor directly on our behalf. The products and support services we receive 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
- Consulting services
- Attendance at conferences, meetings, and other educational and/or social events
- Marketing support
- Computer hardware and/or software
- Other products and services used by the Firm in furtherance of its investment advisory business operations

The products and services described above are provided to us as part of our overall relationship with LPL Financial. While as a fiduciary we endeavor to act in our clients' best interests, the receipt of these benefits creates a conflict of interest because our recommendation that clients custody their assets at LPL Financial is based in part on the benefit to us of the availability of the foregoing products and services and not solely on the nature, cost or quality of custody or brokerage services provided by LPL Financial.

LPL Financial does not participate in, or influence the formulation of, the investment advice we provide, even though we have certain of our supervised persons as Dually Registered Persons. Dually Registered Persons are restricted by certain FINRA rules and policies from maintaining client accounts at another custodian or executing client transactions in such client accounts through any broker-dealer or custodian that is not approved by LPL Financial. LPL Financial charges a fee for its oversight of activities conducted through these other broker-dealers and custodians. This arrangement presents a conflict of interest because we have a financial incentive to recommend that you maintain your account with LPL Financial rather than with another broker-dealer or custodian to avoid incurring the oversight fee.

LPL Financial provides various benefits and payments to Dually Registered Persons that are new to the LPL Financial platform to assist the representative with the costs (including foregone revenues during account transition) associated with transitioning his or her business to the LPL Financial platform (collectively referred to as "Transition Assistance"). The proceeds of such Transition Assistance payments are intended to be used for a variety of purposes, including but not necessarily limited to, providing working capital to assist in funding the Dually Registered Person's business, satisfying any outstanding debt owed to the Dually Registered Person's prior firm, offsetting account transfer fees (ACATs) payable to LPL Financial as a result of the Dually Registered Person's clients transitioning to LPL Financial's custodial platform, technology set-up fees, marketing and mailing costs, stationary and licensure transfer fees, moving expenses, office space expenses, staffing support and termination fees associated with moving accounts.

Transition payments are generally based on the size of the Dually Registered Person's business established at the prior firm and/or assets under custody on the LPL Financial platform. Such payments typically range from 15 - 30% of the Dually Registered Person's compensation at the prior firm and may be more in some instances. Please refer to the relevant Part 2B brochure supplement for more information about any specific Transition Payments your investment adviser representative may have received. The receipt of



Transition Assistance by such Dually Registered Persons creates conflicts of interest relating to our advisory business because it creates a financial incentive for our investment adviser representatives to recommend that clients maintain their accounts with LPL Financial.

These types of arrangements create a conflict of interest because, we have an incentive to direct client accounts to LPL in consideration of the actual or anticipated incentives or consideration we will receive. Merit and its IARs can also receive an economic benefit from LPL in the form of a loan, which is forgiven if Merit and/or the IAR meet certain conditions in terms of maintaining a relationship with LPL. We are sensitive to this conflict of interest and take steps to ensure that it does not affect our decisions for our clients. We attempt to mitigate these conflicts of interest by evaluating and recommending that clients use LPL Financial's services based on the benefits that such services provide to our clients, rather than the economic benefit earned by any particular Dually Registered Person.

#### Fidelity Institutional Wealth Services Program

The Firm also participates in the Fidelity Institutional Wealth Services ("FIWS") program. Our relationship with FIWS was established to accommodate certain clients' pre-existing arrangements with FIWS. While there is no direct link between the investment advice we provide and participation in the FIWS program, we receive certain economic benefits from the FIWS program. These benefits may include software and other technology that provides access to client account data (such as trade confirmations and account statements), facilitates trade execution (and allocation of aggregated orders for multiple client accounts), provides research, pricing information and other market data, facilitates the payment of our fees from clients' accounts, and assists with back-office functions, recordkeeping and client reporting. Many of these services may be used to service all or a substantial number of our accounts, including accounts not held at Fidelity. Fidelity may also make available other services intended to help us manage and further develop its business. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing. In addition, Fidelity may make available, arrange and/or pay for these types of services to be rendered to us by independent third parties. Fidelity may discount or waive fees it would otherwise charge for some of these services, pay all or a part of the fees of a third-party providing these services to us, and/or Fidelity may pay for travel expenses relating to participation in such training. Finally, participation in the FIWS program provides us with access to mutual funds which normally require significantly higher minimum initial investments or are normally available only to institutional investors.

The benefits received through participation in the FIWS program do not necessarily depend upon the proportion of transactions directed to Fidelity. The benefits are received by us, in part because of commission revenue generated for Fidelity by the Firm's clients. This means that the investment activity in client accounts is beneficial to us because Fidelity does not assess a fee to the Firm for these services. This creates an incentive for us to continue to recommend Fidelity to our clients. While it may be possible to obtain similar custodial, execution and other services elsewhere at a lower cost, we believe Fidelity provides an excellent combination of these services. These services are not soft dollar arrangements but are part of the institutional platform offered by Fidelity.

#### TD Ameritrade Institutional

Additionally, the Firm participates in the institutional advisor program (the “TD Program”) offered by TD Ameritrade Institutional, Division of TD Ameritrade Inc., member FINRA/SIPC (“TD Ameritrade”). TD Ameritrade offers its TD Program to independent investment advisers. The TD Program includes such services as custody of securities, trade execution, clearance and settlement of transactions. We receive some benefits from TD Ameritrade through our participation in the TD Program. We are independently owned and operated and are not affiliated with TD Ameritrade.

The Firm recommends TD Ameritrade to clients for custody and brokerage services. While there is no direct link between our participation in the TD Program and the investment advice we give to our clients, through participation in the TD Program we receive economic benefits that are typically not available to TD Ameritrade retail investors. These benefits generally include, without limitation, 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 TD Program 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 and ETFs 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 pay for business consulting and professional services received by our related persons. These services may be considered soft dollar arrangements, and are also a part of the institutional platform offered by TD Ameritrade

Some of the products and services made available by TD Ameritrade through the TD Program may benefit our Firm but may not directly 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 the Firm manage and further develop its business enterprise. The benefits received by us or our personnel through participation in the TD Program does not depend on the amount of brokerage transactions directed to TD Ameritrade. We seek to obtain “best execution” of client transactions, but clients should be aware, however, that the receipt of economic benefits by the Firm 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.

#### Custodian Operational Support

Merit also receives an additional economic benefit (“Additional Services”) from TD Ameritrade based on the fact that they have agreed to provide financial support to Merit to assist in partially paying for Data Aggregation and Performance Reporting system(s) provided by unaffiliated service providers. Specifically, the Additional Service includes Orion Advisor Services. These payments create an incentive for Merit to retain client assets with the participating custodian and therefore a conflict of interest is created. Merit understands and accepts that these payments are a conflict of interest and takes steps to make sure that it does not affect our decisions in relation to our client’s accounts. In providing an additional service to our Firm, the participating custodian most likely considers the amount and profitability created by the amount of client assets held and trades placed for our client

accounts maintained with TD Ameritrade. TD Ameritrade has the right to terminate the Additional Services with Merit, in their sole discretion, provided certain conditions are met. Merit's receipt of Additional Services does not diminish its duty to act in the best interests of its clients, including seeking best execution of trades for client accounts. TD Ameritrade provides the Additional Services to our Firm in its sole discretion and at its own expense, and Merit does not pay any fees to TD Ameritrade for the Additional Services. TD Ameritrade directly pays the unaffiliated service provider and not Merit.

#### Directed Brokerage

We do not generally allow directed brokerage accounts.

#### Aggregated Trade Policy

We may enter trades as a block where possible and when advantageous to clients whose accounts have a need to buy or sell shares of the same security. This method permits the trading of aggregate blocks of securities composed of assets from multiple client accounts. It allows us to execute trades in a timely, equitable manner, and may reduce overall costs to clients.

We will only aggregate transactions when we believe that aggregation is consistent with our duty to seek best execution (which includes the duty to seek best price) for our clients and is consistent with the terms of our Asset Management Agreement with each client for which trades are being aggregated. No advisory client will be favored over any other client; each client that participates in an aggregated order will participate at the average share price for that specific transaction in a given security. Transaction costs for participating accounts will be assessed at the custodian's commission rate applicable to each account; therefore, transaction costs may vary among accounts. Accounts may be excluded from a block due to tax considerations, client direction or other factors making the account's participation ineligible or impractical. We maintain procedures to ensure that transactions at different account custodians are treated fairly and equitably.

We will prepare, before entering an aggregated order, a written statement ("Allocation Statement") specifying the participating client accounts and how we intend to allocate the order among those clients. If the aggregated order is filled in its entirety, it will be allocated among clients in accordance with the Allocation Statement. If the order is partially filled, it will generally be allocated pro-rata, based on the Allocation Statement, or randomly in certain circumstances. Notwithstanding the foregoing, the order may be allocated on a basis different from that specified in the Allocation Statement if all client accounts receive fair and equitable treatment, and the reason for different allocation is explained in writing and is approved by an appropriate individual/officer of the Firm. Our books and records will separately reflect, for each client account included in a block trade, the securities held by and bought and sold for that account. We will receive no additional compensation or remuneration of any kind as a result of the proposed aggregation.

### **Item 13. Review of Accounts or Financial Plans**

For clients subscribing to our asset management services, we review accounts on an ongoing basis. We strive to meet with clients annually or as often as necessary to review their portfolios. The nature of these reviews is to learn whether the client's accounts are in line

with the client's investment objectives, appropriately positioned based on market conditions, and investment policies, if applicable. Only our investment adviser representatives conduct these reviews.

Depending on the arrangement the clients have with the financial adviser servicing their accounts, the client may receive periodic written reports, which may contain, among other things, performance reporting.

We provide ongoing services to financial planning clients and meet with such clients to discuss updates to their plans, changes in their circumstances, etc. Financial planning clients receive reviews of their written plans at least annually.

We may review client accounts more frequently than described above. Among the factors which may trigger an off-cycle review are major market or economic events, the client's life events, requests by the client, etc.

#### **Item 14. Client Referrals and Other Compensation**

As noted above, we receive economic benefits from LPL Financial, FIWS and TD Ameritrade in the form of support, products and services they make available to us and other independent investment advisors whose clients maintain accounts at LPL Financial, FIWS or TD Ameritrade. LPL Financial also provides other compensation to our Dually Registered Persons, including but not limited to, bonus payments, repayable and forgivable loans, stock awards and other benefits. These products, services and compensation, how they benefit the Firm and its related persons, and the related conflicts of interest are described in ***Item 12 - Brokerage Practices***.

The availability of LPL, FIWS and TD Ameritrade's products and services is based solely on our participation in their programs and not in the provision of any particular investment advice. Our clients do not pay more for investment transactions effected and/or assets maintained at LPL as result of this arrangement. There are no commitments made by us to LPL or any other institution because of our receipt of additional support products and services that they make available to us. Neither, LPL Financial, FIWS or TD Ameritrade are paid to refer clients to the Firm.

Merit and/or its Dually Registered Persons are incented to join and remain affiliated with LPL Financial and to recommend that clients establish accounts with LPL Financial through the provision of Transition Assistance (discussed in ***Item 12*** above). LPL also provides other compensation to Merit, including but not limited to, bonus payments, repayable and forgivable loans and stock awards.

The amount of the loan, paid to Merit in 2018 by LPL Financial, represents a substantial payment. Forgiveness of the loan, in whole or in part, is conditioned on our firm remaining affiliated with LPL and will be based on the amount of business we engage in with LPL Financial, including, but not limited to, the amount of client assets Merit maintains with LPL Financial and using LPL Financial as the custodian for a certain percentage of all new client accounts, and as such, Merit has a financial incentive to recommend that its clients maintain their accounts with LPL Financial.

The receipt of any such compensation creates a financial incentive for Merit to recommend LPL Financial as custodian for the assets in our client's advisory account(s). We encourage you to discuss any such conflicts of interest with us before deciding to custody your assets at LPL Financial.

From time to time, the firm may enter into arrangements with third parties ("Solicitors") to identify and refer potential clients to us. Consistent with legal requirements under the Investment Advisers Act of 1940, as amended, we will enter into written agreements with Solicitors under which, among other things, Solicitors are required to disclose their compensation arrangements to prospective clients before such clients enter into an agreement with our firm.

Certain investment advisor representatives of the firm have a relationship with a third-party website (the "Website") devoted to financial topics. The investment advisor representative pays the Website sponsor a marketing fee in exchange for advertising services on the Website. From time to time, potential clients may be referred to the investment advisor representative through the Website. The marketing fee paid to the Website is not contingent upon whether or not the client ultimately invests through the investment advisor representative. When a client is obtained from the Website, the arrangement will be disclosed in writing to the client through a disclosure document signed by the client prior to or at the time a relationship is established with the representative.

#### **Item 15. Custody**

LPL, Fidelity and TD Ameritrade are the custodians of nearly all our client accounts. From time to time however, clients may select an alternate broker to hold accounts in custody. In any case, it is the custodian's responsibility to provide clients with confirmations of trading activity, tax forms and at least quarterly account statements. Clients are advised to review this information carefully, and to notify us of any questions or concerns. Clients are also asked to promptly notify us if the custodian fails to provide statements on each account held.

All our clients receive at least quarterly account statements directly from their custodian(s). We encourage our clients to raise any questions with us about the custody, safety or security of their assets. The custodians we do business with will send you independent account statements listing your account balance(s), transaction history and any fee debits or other fees taken out of your account.

#### **Item 16. Investment Discretion**

As described in **Item 4 - Advisory Business**, we will accept clients on either a discretionary or non-discretionary basis. For discretionary accounts, a Limited Power of Attorney ("LPOA") is executed by the client, giving us the authority to carry out various activities in the account, generally including the following: trade execution; the ability to request checks on behalf of the client; and, the withdrawal of advisory fees directly from the account. We then direct investment of the client's portfolio using our discretionary authority. The client may limit the terms of the LPOA to the extent consistent with the client's investment advisory agreement with us and the requirements of the client's custodian.

For non-discretionary accounts, the client also generally executes an LPOA, which allows us to carry out trade recommendations and approved actions in the portfolio. However, in accordance with the asset management agreement between us and the client, we will not implement trading recommendations or other actions in the account unless and until the client has approved the recommendation or action. As with discretionary accounts, clients may limit the terms of the LPOA, subject to our agreement with the client and the requirements of the client's custodian.

### Item 17. Voting Client Securities

As a policy and in accordance with the Firm's current client agreement, we do not vote proxies related to securities held in client accounts. The custodian of the account will normally provide proxy materials directly to the client. Clients may contact us with questions relating to proxy procedures and proposals; however, we generally do not research particular proxy proposals.

In a limited number of cases, we have agreed to vote proxies for certain legacy clients. With respect to securities selected on behalf of the client in these situations, we will vote proxies where required. Where we have authority to vote proxies, we will seek to vote proxies in the best interest of the client(s) holding the applicable securities.

In general, we believe that voting proxies in accordance with the following guidelines, with respect to such routine items, is in the best interests of our clients. Accordingly, we generally vote **for**:

- The election of directors (where no corporate governance issues are implicated);
- Proposals that strengthen the shared interests of shareholders and management;
- The selection of independent auditors based on management or director recommendation, unless a conflict of interest is perceived;
- Proposals that we believe may lead to an increase in shareholder value;
- Management recommendations adding or amending indemnification provisions in charter or by-laws; and
- Proposals that maintain or increase the rights of shareholders.

We will generally vote **against** any proposals that we believe will have a negative impact on shareholder value or rights. If we perceive a conflict of interest, our policy is to notify affected clients so that they may choose the course of action they deem most appropriate.

A copy of our complete policy, as well as records of proxies voted, is available to clients upon request. As required under the Advisers Act, such records are maintained for a period of five (5) years.

### Item 18. Financial Information

We do not require nor solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, and therefore have no disclosure with respect to this item.

In response to the 2020 COVID-19 pandemic, the President signed into law, The Coronavirus Aid, Relief and Economic Security Act ("the CARES Act"), which authorized more than \$2 trillion to battle COVID-19 economic crisis. One part of the CARES act includes the Paycheck Protection Program ("PPP") offered through the Small Business Administration ("SBA"), which intends to help small businesses keep their companies operating and employees paid. The PPP Loan may be forgiven if a company accepting funds from the SBA uses at least 75% for payroll expenses. Due to the economic uncertainties surrounding the current COVID-19 pandemic, we believed it was necessary and prudent for us to apply for, and accept, the Payroll Protection Program loan offered by the Small Business Administration in order to support our ongoing operations. Merit used the PPP funds to continue payroll for the firm's corporate employees and make other permissible payments, but by no means is our business impacted that we are unable to meet the contractual commitments to our clients, nor have we suffered any interruption of service. The loan is forgivable provided the firm satisfies the terms of the loan program.