

# **Cordasco Financial Network, Inc.**

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

**Dated: August 16, 2020**

Contact: Gil Freeman, Chief Compliance Officer  
405 Fifth Ave. South, Suite 5-A  
Naples, FL 34102

This brochure provides information about the qualifications and business practices of Cordasco Financial Network, Inc. If you have any questions about the contents of this brochure, please contact us at (215) 558-3500. 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 Cordasco Financial Network, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

References herein to Cordasco Financial Network, Inc. as a "registered investment adviser" or any reference to being "registered" does not imply a certain level of skill or training.

## Item 2            Material Changes

There have been no material changes since the Firm's last ADV Annual Amendment filing on March 27, 2019.

**Cordasco Financial Network's Chief Compliance Officer, Gil Freeman, remains available to address any questions that an existing or prospective client may have regarding this Brochure.**

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## Item 4            **Advisory Business**

- A. Cordasco Financial Network, Inc. (“the Registrant”) is a corporation formed in the state of Delaware. The Registrant is owned by Stephen Cordasco. Mr. Cordasco is also the Registrant’s Managing Member.

B.

### **INVESTMENT ADVISORY SERVICES**

The Registrant provides discretionary and/or non-discretionary investment advisory services on a wrap fee basis. (*See* discussion below). On a wrap fee basis the client will pay a single fee for bundled services (i.e. investment advisory, brokerage, custody). The services included in a wrap fee agreement will depend upon each client’s particular need.

Registrant's annual investment advisory services shall include investment advisory services, and, to the extent specifically requested by the client, financial planning and consulting services. In the event that the client requires extraordinary planning and/or consultation services (to be determined in the sole discretion of the Registrant), the Registrant may determine to charge for such additional services, the dollar amount of which shall be set forth in a separate written notice to the client.

### **CORDASCO WRAP PROGRAM**

The Registrant provides investment management services on a wrap fee basis in accordance with the Registrant’s investment management wrap fee program (the “Program”). The services offered under, and the corresponding terms and conditions pertaining to, the Program are discussed in the Wrap Fee Program Brochure a copy of which is presented to all prospective Program participants. Under the Program, the Registrant is able to offer participants discretionary and non-discretionary investment management services, for a single specified annual Program fee, inclusive of trade execution, custody, reporting, and investment management fees. The current annual Program fee ranges from negotiable to 2.00%, depending upon the amount and type of the Program assets. The terms and conditions for client participation in the Program are set forth in detail in the Wrap Fee Program Brochure, which is presented to all prospective Program participants in accordance with the disclosure requirements of Part 2A Appendix 1 of Form ADV. All prospective Program participants should read both the Registrant’s Brochure and the Wrap Fee Program Brochure, and ask any corresponding questions that they may have, prior to participation in the Program.

RBC Capital Markets, LLC (“RBC”), or TD Ameritrade, Inc, an independent unaffiliated SEC-registered broker-dealer and member of FINRA/SIPC (“TD Ameritrade”) or Fidelity Investments (“Fidelity”); shall serve as the custodian for Program accounts.

As indicated in the Wrap Fee Program Brochure, participation in the Program may cost more or less than purchasing such services separately. As also indicated in the Wrap Fee Program Brochure, the Program fee charged by Registrant for participation in the Program may be higher or lower than those charged by other sponsors of comparable wrap fee programs.

## FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)

The Registrant may provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone separate fee basis.

Prior to engaging the Registrant to provide planning or consulting services, clients are generally required to enter into a *Financial Planning and Consulting Agreement* with Registrant setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to Registrant commencing services.

If requested by the client, Registrant may recommend the services of other professionals for implementation purposes, including certain of the Registrant's representatives in their individual capacities as a registered representative of a broker-dealer and/or licensed insurance agents. (*See* disclosure at Item 10.C). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant.

If the client engages any recommended unaffiliated professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. At all times, the engaged licensed professional[s] (i.e. attorney, accountant, insurance agent, etc.), and not Registrant, shall be responsible for the quality and competency of the services provided.

Each client is advised that it remains the client's responsibility to promptly notify the Registrant if there is ever any change in client's financial situation or investment objectives for the purpose of reviewing, evaluating or revising Registrant's previous recommendations and/or services.

## MISCELLANEOUS

**Limitations of Financial Planning and Non-Investment Consulting/Implementation Services.** As indicated above, to the extent requested by a client, Registrant may provide financial planning and related consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. for a separate and additional fee per the terms and conditions of a Financial Planning and Consulting Agreement.

Registrant does not serve as an attorney or accountant, and no portion of its services should be construed as legal or accounting services. Accordingly, Registrant does not prepare estate planning documents or tax returns. To the extent requested by a client, Registrant may recommend the services of other professionals for certain non-investment implementation purpose (i.e. attorneys, accountants, insurance agents, etc.), including representatives of Registrant in their separate individual capacities as representatives of Andrew Garrett, Inc. ("AG"), a FINRA member broker-dealer and/or as licensed insurance agents.

The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Registrant and/or its representatives.

If the client engages any recommended unaffiliated professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. At all times, the engaged licensed professional[s] (i.e. attorney, accountant, insurance agent, etc.), and not Registrant, shall be responsible for the quality and competency of the services provided.

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

**Use of Mutual Funds and Exchange Traded Funds.** While the Registrant may allocate investment assets to mutual funds and exchange traded funds (“ETFs”) that are not available directly to the public, the Registrant may also allocate investment assets to publicly-available mutual funds and ETFs that the client could purchase without engaging Registrant as an investment adviser. However, if a client or prospective client determines to purchase publicly-available mutual funds or ETFs without engaging Registrant as an investment adviser, the client or prospective client would not receive the benefit of Registrant’s initial and ongoing investment advisory services with respect to management of the asset.

**Portfolio Activity.** Registrant has a fiduciary duty to provide services consistent with the client’s best interest. As part of its investment advisory services, Registrant will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including, but not limited to, investment performance, fund manager tenure, style drift, account additions/withdrawals, and/or a change in the client’s investment objective. Based upon these factors, there may be extended periods of time when Registrant determines that changes to a client’s portfolio are neither necessary nor prudent. Of course, as indicated below, there can be no assurance that investment decisions made by Registrant will be profitable or equal any specific performance level(s). Clients nonetheless remain subject to the fees described in Item 5 below during periods of account inactivity.

**Independent Managers.** The Registrant shall generally allocate (and/or recommend that the client allocate) a portion of a client’s investment assets among unaffiliated independent investment managers in accordance with the client’s designated investment objective(s). In such situations, the Independent Manager(s) shall have day-to-day responsibility for the active discretionary management of the allocated assets. The Registrant shall continue to render investment advisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. Factors which the Registrant shall consider in recommending Independent Manager(s) include the client’s designated investment objective(s),

management style, performance, reputation, financial strength, reporting, pricing, and research.

The investment management fee charged by the Independent Manager(s) is separate from, and in addition to, Registrant's advisory fee as set forth in the fee schedule at Item 5 below and which will be disclosed to the client before entering into the Independent Manager engagement and/or subject to the terms and conditions of a separate agreement between the client and the Independent Manager(s).

**Please Note:** The Registrant has engaged RBC and DiMeo Schneider & Associates, LLC, separately, to provide investment "signals" relating to the purchase and sale of securities for certain of the Registrant's investment programs. The Registrant considers the signals provided by RBC and DiMeo Schneider & Associates, LLC when determining whether a program adjustment is necessary. However, there can be no assurance that the signals that the Registrant receives will be correct or if executed upon will result in a beneficial transaction.

**Non-Discretionary Service Limitations.** Clients that determine to engage Registrant on a non-discretionary investment advisory basis must be willing to accept that Registrant cannot effect any account transactions without obtaining prior consent to any such transaction(s) from the client. Thus, in the event that Registrant would like to make a transaction for a client's account (including an individual holding or in the event of general market correction), and the client is unavailable, Registrant will be unable to effect the account transaction(s) (as it would for its discretionary clients) without first obtaining the client's consent.

**eMoney Advisor Platform.** Registrant may provide its clients with access to an online platform hosted by "eMoney Advisor" ("eMoney"). The eMoney platform allows a client to view their complete asset allocation, including those assets that Registrant does not manage (the "Excluded Assets"). Registrant does not provide investment management, monitoring, or implementation services for the Excluded Assets. Unless otherwise specifically agreed to, in writing, Registrant's service relative to the Excluded Assets is limited to reporting only. Therefore, Registrant shall not be responsible for the investment performance of the Excluded Assets. Rather, the client and/or their advisor(s) that maintain management authority for the Excluded Assets, and not Registrant, shall be exclusively responsible for such investment performance.

Without limiting the above, the Registrant shall not be responsible for any implementation error (timing, trading, etc.) relative to the Excluded Assets. The client may choose to engage Registrant to manage some or all of the Excluded Assets pursuant to the terms and conditions of an Investment Advisory Agreement between Registrant and the client.

The eMoney platform also provides access to other types of information and applications including financial planning concepts and functionality, which should not, in any manner whatsoever, be construed as services, advice, or recommendations provided by Registrant. Finally, Registrant shall not be held responsible for any adverse results a client may experience if the client engages in financial planning or other functions available on the eMoney platform without Registrant's assistance or oversight.

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

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

- C. The Registrant shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, the Registrant shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at any time, impose reasonable restrictions, in writing, on the Registrant's services.
- D. **Wrap Program-Conflict of Interest.** Registrant provides services on a wrap fee basis as a wrap program sponsor. Under Registrant's wrap program, the client generally receives investment advisory services, the execution of securities brokerage transactions, custody and reporting services for a single specified fee. Participation in a wrap program may cost the client **more** or less than purchasing such services separately. The terms and conditions of a wrap program engagement are more fully discussed in Registrant's Wrap Fee Program Brochure.

**Conflict of Interest:** Because wrap program transaction fees and/or commissions are being paid by Registrant to the account custodian/broker-dealer, Registrant has an economic incentive to minimize the number of trades in the client's account which would result in the Registrant incurring a fee. *See* separate Wrap Fee Program Brochure.

- E. As of December 31, 2019, the Registrant had \$439,737,513 in assets under management on a discretionary basis and \$4,043,559 in assets under management on a non-discretionary basis.

## **Item 5            Fees and Compensation**

A.

### **CORDASCO WRAP PROGRAM**

The Registrant provides investment management services on a wrap *fee* basis in accordance with the Registrant's Program, the services offered under, and the corresponding terms and conditions pertaining to, the Program are discussed in the Wrap Fee Program Brochure, a copy of which is presented to all prospective Program participants. Under the Program, the Registrant is able to offer participants discretionary or non-discretionary investment management services, for a single specified annual Program fee, inclusive of trade execution, custody, reporting, and investment management fees. The current annual Program fee ranges from negotiable to 2.00%, depending upon the amount and type of the Program assets.

**Fee Differentials.** As discussed above, the Registrant shall receive an investment advisory fee based upon a percentage (%) of the market value of the assets placed under management (between negotiable and 2.00%). However, fees shall vary depending upon various objective and subjective factors, including but not limited to: whether the client engages the Registrant on a wrap or non-wrap fee basis, the representative assigned to the account, the amount of assets to be invested, the complexity of the engagement, the anticipated number of meetings and servicing needs, related accounts, future earning capacity, anticipated future additional assets, and negotiations with the client.

As a result, similar clients could pay different fees, which will correspondingly impact a client's net account performance. Moreover, the services to be provided by the Registrant to any particular client could be available from other advisers at lower fees. All clients and prospective clients should be guided accordingly.

Before engaging Registrant to provide investment advisory services, clients are required to enter into a discretionary or non-discretionary Investment Advisory Agreement, setting forth the terms and conditions of the engagement (including termination), which describes the fees and services to be provided. **Registrant's Chief Compliance Officer, Gil Freeman, remains available to address any questions that a client or prospective client may have regarding the above fee disparity, impact on account performance, and conflict of interest.**

#### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

The Registrant may determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone fee basis. Registrant's planning and consulting fees are negotiable, but generally range from \$1,500 to \$15,000 on a fixed fee basis, and from \$250 to \$450 on an hourly rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s).

- B. Clients may elect to have the Registrant's advisory fees deducted from their custodial account. Both Registrant's *Investment Advisory Agreement* and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of the Registrant's investment advisory fee and to directly remit that management fee to the Registrant in compliance with regulatory procedures. In the limited event that the Registrant bills the client directly, payment is due upon receipt of the Registrant's invoice. The Registrant shall deduct fees and/or bill clients quarterly in advance, based upon the market value of the assets on the last business day of the previous quarter.
- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, the Registrant shall generally recommend that *RBC*, *TD Ameritrade* or *Fidelity* serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *RBC*, *TD Ameritrade* or *Fidelity* charge brokerage commissions and/or transaction fees for effecting certain securities transactions. Clients who engage the Registrant on a wrap fee basis shall not incur brokerage commissions and/or transaction fees in addition to Registrant's investment management fee.



Relative to all mutual fund and exchange traded fund purchases, all clients will incur additional expenses with regard to charges imposed at the fund level (e.g. management fees and other fund expenses).

- D. Registrant's annual investment advisory fee shall be prorated and paid quarterly, in advance, based upon the market value of the assets on the last business day of the previous quarter.

The Registrant generally requires an aggregate minimum asset level of \$750,000 for investment advisory services. The Registrant, in its sole discretion, may charge a lesser investment management fee and/or waive or reduce its minimum asset requirement based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

The *Investment Advisory Agreement* between the Registrant and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, the Registrant shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter.

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

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

commissions paid by the client for such product. When providing services on an advisory fee basis, the Registrant's representatives do not also receive commission compensation for such advisory services. However, a client may engage the Registrant to provide investment management services on an advisory fee basis and separate from such advisory services purchase an investment product from Registrant's representatives on a separate commission basis.

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

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

## **Item 7            Types of Clients**

The Registrant's clients shall generally include individuals, business entities, trusts, estates, and charitable organizations.

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

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

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

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

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)
- Trading (securities sold within thirty (30) days)

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

B. The Registrant's methods of analysis and investment strategies do not present any significant or unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis the Registrant must have access to current/new market information. The Registrant has no control over the dissemination rate of market information; therefore, unbeknownst to the Registrant, certain analyses may be compiled with outdated market

information, severely limiting the value of the Registrant's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

The Registrant's primary investment strategies - Long Term Purchases, Short Term Purchases, and Trading - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy. Trading, an investment strategy that requires the purchase and sale of securities within a thirty (30) day investment time period, involves a very short investment time period but will incur higher transaction costs when compared to a short term investment strategy and substantially higher transaction costs than a longer term investment strategy.

- C. Currently, the Registrant primarily allocates client investment assets among various individual equity (stocks), debt (bonds), and fixed income securities, mutual funds and/or exchange traded funds ("ETFs"), on a discretionary and/or non-discretionary basis in accordance with the client's designated investment objective(s).

When purchasing mutual funds for client accounts, Registrant's policy is to strive to purchase the most appropriate share class of a particular fund for client accounts. In most instances, because Registrant believes in investing over long-term durations, the share class with the least expensive internal expense ratio will be most appropriate. However, if Registrant reasonably anticipates a shorter holding period for a particular fund, the purchase of the least expense share class may not be appropriate.

For example, some mutual funds may offer an institutional share class (which generally represents the share class with the lowest internal expense ratio) and a non-transaction fee ("NTF") share class. If offered, the NTF share class will generally have a higher internal expense ratio, but will be provided without a transaction fee. Consequently, if Registrant selects a fund that provides a NTF share class, and Registrant reasonably expects to hold the fund for an abbreviated period of time, the NTF share class may be considered a more appropriate selection for the client.

Due to the nature of wrap fee programs, specifically the fact that the client is not responsible for transaction fees, the client generally does not stand to benefit from NTF share classes of mutual funds in the context of a wrap fee program. Registrant, therefore, will only purchase NTF share classes in a wrap fee account when the NTF share class is the least expensive share class available.

## **Item 9            Disciplinary Information**

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

## Item 10 Other Financial Industry Activities and Affiliations

- A. **Registered Representative of Andrew Garrett, Inc. (“AG”)**. Certain of Registrant’s representatives are registered representatives of AG, a FINRA member broker-dealer. Clients may choose to engage these representatives in their individual capacities as registered representatives of AG, to implement investment recommendations on a commission basis.
- B. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. **Registered Representatives of AG**. As disclosed above in Item 5.E, certain of the Registrant’s representatives are registered representatives of AG, a FINRA member broker-dealer. Clients may choose to engage these representatives, in their separate and individual capacities as registered representative of AG, to implement investment recommendations on a commission basis.

**Licensed Insurance Agents**. Certain of the Registrant’s representatives, in their individual capacities, are licensed insurance agents, and may recommend the purchase of certain insurance-related products on a commission basis. Clients can engage these individuals, in their separate and individual capacities as licensed insurance agents, to effect insurance transactions on a commission basis.

**Conflict of Interest**: The recommendation by Registrant’s representatives that a client purchase a securities or insurance commission product presents a conflict of interest, as the receipt of commissions may provide an incentive to recommend investment products based on commissions received, rather than on a particular client’s need. No client is under any obligation to purchase any commission products from Registrant’s representatives. Clients are reminded that they may purchase investment products recommended by Registrant through other, non-affiliated registered representatives of a broker dealer and/or insurance agents. The Registrant’s Chief Compliance Officer, Gil Freeman, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.

**Wisdom Planning, LLC: Other Investment Adviser Firm**. The Registrant’s Managing Member, Stephen Cordasco, also serves as the Chief Compliance Officer and an investment adviser representative of Wisdom Planning, LLC, an affiliated SEC registered investment advisor firm (“Wisdom”). The Registrant may refer certain clients to Wisdom for financial planning and consulting services. Neither the Registrant nor Mr. Cordasco shall receive compensation for any referral made to Wisdom by the Registrant. However, the recommendation by the Registrant that a client engages Wisdom to provide its financial planning and consulting services presents a conflict of interest as Mr. Cordasco may receive a direct economic benefit from any such referral. No client is under any obligation to engage the services of Wisdom. The Registrant’s Chief Compliance Officer, Gil Freeman, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.

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

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

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

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

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

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

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

## Item 12 Brokerage Practices

- A. Prior to engaging Registrant to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with Registrant setting forth the terms and conditions under which Registrant shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

In the event that the client requests that the Registrant recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct the Registrant to use a specific broker-dealer/custodian), Registrant generally recommends that investment management accounts be maintained at *RBC*, *TD Ameritrade* or *Fidelity*.

The Registrant participates in the TD Ameritrade Institutional program. TD Ameritrade Institutional is a division of *TD Ameritrade*, which offers services to independent investment advisors which include custody of securities, trade execution, clearance and settlement of transactions. Registrant receives benefits from *TD Ameritrade* through its participation in the program. (Please see the disclosure under Item 14 below.)

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

### TD Ameritrade Institutional Customer Program

Registrant participates in *TD Ameritrade*'s institutional customer program and Registrant may recommend *TD Ameritrade* to clients for custody and brokerage services. There is no direct link between Registrant's participation in the program and the investment advice it gives to its clients, although Registrant receives economic benefits through its participation in the program that are typically not available to *TD Ameritrade* retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Registrant participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for

client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Registrant by third party vendors. *TD Ameritrade* may also have paid for business consulting and professional services received by Registrant's related persons. Some of the products and services made available by *TD Ameritrade* through the program may benefit Registrant but may not benefit its client accounts. These products or services may assist Registrant in managing and administering client accounts, including accounts not maintained at *TD Ameritrade*. Other services made available by *TD Ameritrade* are intended to help Registrant manage and further develop its business enterprise. The benefits received by Registrant or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to *TD Ameritrade*. As part of its fiduciary duties to clients, Registrant endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Registrant or its related persons in and of itself creates a conflict of interest and may indirectly influence the Registrant's choice of *TD Ameritrade* for custody and brokerage services.

#### Additional Services/Benefits

The Registrant has received additional services and/or benefits ("Additional Services") from *Fidelity*. Specifically, the Additional Services received included full or partial payment for various research and technology services firms. When receiving these Additional Services, the value shall not exceed \$60,000 per year. *Fidelity* provides the Additional Services to Registrant in its sole discretion and at its own expense. *Fidelity* and the Registrant entered into a separate agreement to govern the terms of arrangement. The Registrant'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 AdvisorDirect Program

The Registrant participates in the institutional advisor program offered by TD Ameritrade Institutional (the "Program"). TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC ("*TD Ameritrade*"), an unaffiliated SEC-registered broker-dealer and FINRA member. *TD Ameritrade* offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. The Registrant receives some benefits from *TD Ameritrade* through its participation in the Program. As disclosed above, the Registrant participates in *TD Ameritrade*'s institutional customer program and the Registrant may recommend *TD Ameritrade* to Clients for custody and brokerage services.

Registrant may receive client referrals from *TD Ameritrade* through its participation in TD AMERITRADE AdvisorDirect ("*AdvisorDirect*"). In addition to meeting the minimum eligibility criteria for participation in *AdvisorDirect*, Registrant may have been selected to participate in *AdvisorDirect* based on the amount and profitability to *TD Ameritrade* of the assets in, and trades placed for, client accounts maintained with *TD Ameritrade*. *TD Ameritrade* is a discount broker-dealer independent of and unaffiliated with Registrant and there is no employee or agency relationship between them. *TD Ameritrade* has established the referral program as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment

advisors. *TD Ameritrade* does not supervise Registrant and has no responsibility for Registrant's management of client portfolios or Registrant's other advice or services. Registrant pays *TD Ameritrade* an on-going fee for each successful client referral. This fee is usually a percentage (not to exceed 25%) of the advisory fee that the client pays to Registrant ("Solicitation Fee"). Registrant will also pay *TD Ameritrade* the Solicitation Fee on any advisory fees received by Registrant from any of a referred client's family members, including a spouse, child or any other immediate family member who resides with the referred client and hired Registrant on the recommendation of such referred client. Registrant will not charge clients referred through *AdvisorDirect* any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass Solicitation Fees paid to *TD Ameritrade* to its clients.

Registrant's participation in *AdvisorDirect* raises conflicts of interest. *TD Ameritrade* will most likely refer clients through *AdvisorDirect* to investment advisors that encourage their clients to custody their assets at *TD Ameritrade* and whose client accounts are profitable to *TD Ameritrade*. Consequently, in order to obtain client referrals from *TD Ameritrade*, Registrant may have an incentive to recommend to clients that the assets under management by Registrant be held in custody with *TD Ameritrade* and to place transactions for client accounts with *TD Ameritrade*. In addition, Registrant has agreed not to solicit clients referred to it through *AdvisorDirect* to transfer their accounts from *TD Ameritrade* or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. Registrant's participation in *AdvisorDirect* does not diminish its duty to seek best execution of trades for client accounts.

In addition, Registrant may receive additional benefits from participation in *AdvisorDirect*. There is no direct link between Registrant's participation in the program and the investment advice it gives to its clients, although Registrant receives economic benefits through its participation in the program that are typically not available to *TD Ameritrade* retail investors. These benefits include the receipt of duplicate client statements; access to a trading desk serving adviser participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Registrant by third party vendors. The benefits received by Registrant or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to *TD Ameritrade*. As part of its fiduciary duties to clients, Registrant endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Registrant or its representatives creates a conflict of interest.

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

#### Research and Additional Benefits.

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Registrant receives



from *RBC*, *TD Ameritrade* or *Fidelity* (or another broker-dealer/custodian, investment platform, unaffiliated investment manager, vendor, unaffiliated product/fund sponsor, or vendor) without cost (and/or at a discount) support services and/or products, certain of which assist the Registrant to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by the Registrant may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Registrant in furtherance of its investment advisory business operations.

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

There is no corresponding commitment made by the Registrant to *RBC*, *TD Ameritrade* or *Fidelity* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as result of the above arrangement.

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

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

In the event that the client directs Registrant to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Registrant. Higher transaction costs adversely impact account performance.

Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

**The Registrant's Chief Compliance Officer, Gil Freeman, remains available to address any questions that a client or prospective client may have regarding the above arrangement.**

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

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

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

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

- A. As referenced in Item 12A above, the Registrant receives an economic benefit from *TD Ameritrade* and *Fidelity*. The Registrant, without cost (and/or at a discount), receives support services and/or products from *TD Ameritrade* and *Fidelity*.

There is no corresponding commitment made by the Registrant to *TD Ameritrade*, *Fidelity* or any other any entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as result of the above arrangement.

**The Registrant’s Chief Compliance Officer, Gil Freeman, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding conflict of interest.**

- B. If a client is introduced to the Registrant by either an unaffiliated or an affiliated solicitor, Registrant may pay that solicitor a referral fee in accordance with the requirements of

Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from the Registrant's investment management fee, and shall not result in any additional charge to the client. If the client is introduced to the Registrant by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of their solicitor relationship, and shall provide each prospective client with a copy of the Registrant's written Brochure with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between the Registrant and the solicitor, including the compensation to be received by the solicitor from the Registrant.

## **Item 15      Custody**

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

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

The account custodian does not verify the accuracy of the Registrant's advisory fee calculation.

## **Item 16      Investment Discretion**

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

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

## **Item 17      Voting Client Securities**

- A. The Registrant does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.

- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact the Registrant to discuss any questions they may have with a particular solicitation.

**Item 18          Financial Information**

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

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