

Joseph Gunnar & Co., LLC
Joseph Gunnar Wrap Fee Program

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Form ADV Part 2A Appendix 1: Wrap Fee Program Brochure

This brochure provides information about the qualifications and business practices of Joseph Gunnar & Co., LLC. If you have any questions about the contents of this brochure, contact us at 212-440-9645. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about Joseph Gunnar & Co., LLC (CRD No. 24795) is available on the SEC's website at www.adviserinfo.sec.gov.

Joseph Gunnar & Co., LLC is a registered investment adviser. Registration with the SEC or any state securities authority does not imply a certain level of skill or training.

Item 2 Summary of Material Changes

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

Since our last annual updating amendment dated March 30, 2020, we have the following material changes to report:

- On December 4, 2020, we consented to an Acceptance, Waiver & Consent ("AWC") due to a failure to establish and implement an anti-money laundering (AML) program reasonably designed to detect and cause the reporting of potentially suspicious activity relating to transactions involving low-priced securities; and a failure to establish a due diligence program including policies, procedures, and controls reasonably designed to detect and report any known or suspected money laundering activity conducted through or involving correspondent accounts for foreign financial institutions in violation of FINRA Rules 3310(a), 3310(b) and 2010. Without admitting or denying the allegations, we consented to the sanctions and undertaking and the firm was censure and fined \$55,000.

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Item 4 Services, Fees, and Compensation

Joseph Gunnar & Co., LLC is a registered investment adviser based in New York, New York. We are organized as a limited liability company under the laws of the State of Delaware. We have been providing investment advisory services since 1995. Joseph Gunnar Holding Co., LLC is our principal owner and Joseph Alagna, Anthony Sica and Stephan Stein are indirect owners of Joseph Gunnar Holding Co., LLC. Anthony Sica and Stephan Stein hold less than 25% ownership of Joseph Gunnar Holding Co., LLC. Some of our representatives may conduct advisory business under the names Lellos Wealth Management and American Pride Wealth Management Group.

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

We offer portfolio management services exclusively through a wrap-fee program ("Program") as described in this wrap fee program brochure to prospective and existing clients. We are the sponsor and investment adviser for the Program. A wrap-fee program is a type of investment program that provides clients with asset management and brokerage services for one all-inclusive fee. If you participate in our wrap fee program, you will pay our firm a single fee, which includes money management fees, certain transaction costs, and custodial and administrative costs. You are not charged separate fees for the respective components of the total services. We receive a portion of the wrap fee for our services. The overall cost you will incur if you participate in our wrap fee program may be higher or lower than you might incur by separately purchasing the types of securities available in the Program.

Prior to becoming a client under the Program, you will be required to enter into a written agreement with us that sets forth the terms and conditions of the engagement and describes the scope of the services to be provided and the fees to be paid.

Client Investment Process

We provide discretionary and non-discretionary portfolio management services within the Program in accordance with your individual investment objectives. If you participate in our discretionary portfolio management services, we require you to grant our firm discretionary authority to manage your account. Subject to a grant of discretionary authorization, we have the authority and responsibility to formulate and implement investment strategies on your behalf. This authorization includes deciding which securities to buy and sell, when to buy and sell, and in what amounts, in accordance with your investment program, without obtaining your prior consent or approval for each transaction. Discretionary authority is typically granted by the investment advisory agreement you sign with our firm and/or through trading authorization forms. You may limit our discretionary authority (for example, limiting the types of securities that can be purchased for your account) by providing our firm with your restrictions and guidelines in writing.

If you enter into non-discretionary arrangements with our firm, we must obtain your approval prior to executing any transactions on behalf of your account. You have an unrestricted right to decline to implement any advice provided by our firm on a non-discretionary basis.

Assets for program accounts are held at RBC Correspondent Services ("RBC"), a division of RBC Capital Markets, LLC. RBC Capital Markets, LLC is an unaffiliated broker-dealer and member NYSE/FINRA/SIPC. RBC also acts as executing and clearing firm for transactions placed in Program accounts, and provides other administrative services as described throughout this disclosure brochure.

Changes in Your Financial Circumstances

In providing the contracted services, we are not required to verify any information we receive from you or from your other professionals (e.g. attorney, accountant, etc.) and we are expressly authorized to rely on the information you provide. Furthermore, unless you indicate to the contrary, we shall assume that there are no restrictions on our services, other than to manage your account in accordance with your designated investment objectives. It is responsibility to promptly notify us if there are ever any changes in your financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services.

The Program Fee

We charge an annual "wrap-fee" for participation in the Program depending upon the market value of your assets under our management. You are not charged separate fees for the different components of the services provided within the Program. Our firm pays all trade expenses of trades placed on your behalf. Our Program fee includes the fee we pay to any portfolio manager for their management of your account and RBC's transaction or execution costs. Assets in each of your account(s) are included in the fee assessment unless specifically identified in writing for exclusion. In special circumstances, and in our sole discretion, we may negotiate a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, dollar amount of assets to be managed, related accounts, account composition, pre-existing client relationship, account retention, etc.).

On an annualized basis, our Program fees are as follows:

<u>Assets Under Management</u>	<u>Maximum Annual Fee as % of Portfolio</u>
First \$500,000	2.75%
Next \$500,000	2.25%
Next \$1,000,000	1.75%
Next \$3,000,000	1.00%
Over \$5,000,000	1.00%

As a client, you should be aware that the wrap fee charged by our firm may be higher (or lower) than those charged by others in the industry, and that it may be possible to obtain the same or similar services from other firms at lower (or higher) rates. A client may be able to obtain some or all of the types of services available through our firm's wrap fee program on an individual basis through other firms and, depending on the circumstances, the aggregate of any separately paid fees may be lower or higher than the annual Program fees shown above.

At our discretion, we may combine the account values of family members living in the same household to determine the applicable advisory fee. For example, we may combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts. Combining account values may increase the asset total, which may result in your paying a reduced advisory fee based on the available breakpoints in our fee schedule stated above.

Our annual Program fee is billed and payable quarterly, in advance based on the value of your account on the last day of the previous quarter. If the portfolio management agreement is executed at any time other than the first day of a calendar quarter, our fees will apply on a pro rata basis, which means that the Program fee is payable only in proportion to the number of days in the quarter for which you are a client. Our Program fee is negotiable, depending on individual client circumstances.

You may withdraw account assets on notice to our firm, and subject to the usual and customary securities settlement procedures. However, we design our portfolios as long-term investments and asset withdrawals may impair the achievement of your specific investment objectives.

We will deduct our Program fee directly from your account through the qualified custodian holding your funds and securities. We will deduct our advisory fee only when the following requirements are met:

- You provide our firm with written authorization permitting the fees to be paid directly from your account held by the qualified custodian;
- We send the qualified custodian written notice of the amount of the fee to be deducted from your account;
- We send you an invoice showing the amount of the fee, the value of the assets on which the fee is based, the time period covered by the fee and the specific manner in which the fee was calculated, including any formulae used to calculate the fee; and
- The qualified custodian agrees to send you a statement, at least quarterly, indicating all amounts dispersed from your account including the amount of the advisory fee paid directly to our firm.

Upon receiving an invoice and/or billing statement from our firm, we encourage you to reconcile our invoices with the statement(s) you receive from the qualified custodian. If you find any inconsistent information, please call our main office number located on the cover page of this disclosure brochure.

Termination of Advisory Relationship

You may terminate your agreement with us to participate in the Program upon 30 days' written notice to our firm. You will incur a pro rata charge for services rendered prior to the termination of the wrap fee program agreement, which means you will incur advisory fees only in proportion to the number of days in the terminating quarter during which you were a client. If you have pre-paid advisory fees that we have not yet earned, you will receive a pro-rated refund of those fees.

Upon termination of accounts held at RBC, RBC will deliver securities and funds held in the account per your instructions unless you request that the account be liquidated. After the wrap fee program agreement has been terminated, transactions are processed at the prevailing brokerage rates/fees. You become responsible for monitoring your own assets and our firm has no further obligation to act upon or to provide advice with respect to those assets.

If you have not received the brochure document(s) at least 48 hours prior to signing an agreement, you has five business days in which to cancel the agreement, without penalty.

Wrap Fee Program Disclosures

- The benefits under a wrap fee program depend, in part, upon the size of the account, the management fee charged, and the number of transactions likely to be generated in the account. For example, a wrap fee program may not be suitable for accounts with little trading activity. In order to evaluate whether a wrap fee program is suitable for you, you should compare the Program Fee and any other costs of the Program with the amounts that would be charged by other advisers, broker-dealers, and custodians, for advisory fees, brokerage and other

- execution costs, and custodial services comparable to those provided under the Program.
- In considering the investment programs described in this brochure, you should be aware that participating in a wrap fee program may cost more or less than the cost of purchasing advisory, brokerage, and custodial services separately from other advisers or broker-dealers.
 - Our firm and Associated Persons receive compensation as a result of your participation in the Program. This compensation may be more than the amount our firm or the Associated Persons would receive if you paid separately for investment advice, brokerage, and other services. Accordingly, a conflict of interest exists because our firm and our Associated Persons have a financial incentive to recommend the Program.
 - Similar advisory services may be available from other registered investment advisers for lower fees.

Additional Fees And Expenses

The Program fee includes the costs of brokerage commissions for transactions executed through RBC (or a broker-dealer designated by RBC), and charges relating to the settlement, clearance, or custody of securities in your Program account. The Program fee does not include mark-ups and mark-downs, dealer spreads or other costs associated with the purchase or sale of securities, interest, taxes, or other costs, such as national securities exchange fees, charges for transactions not executed through RBC (or designee), costs associated with exchanging currencies, wire transfer fees, or other fees required by law or imposed by third parties. The client will be responsible for these additional fees and expenses.

The Program fees that you pay to our firm for services included within the Program are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others.

We may trade client accounts on margin. Each client must sign a separate margin agreement *before* margin is extended to that client account. Program fees for advice and execution Program accounts are based on the total asset value of the account, which includes the value of any securities purchased on margin. While a negative amount may show on a client's statement for the margined security as the result of a lower net market value, the amount of the Program fee is based on the absolute market value. This could create a conflict of interest where we may have an incentive to encourage the use of margin to create a higher market value and therefore receive a higher Program fee. The use of margin may also result in interest charges in addition to all other fees and expenses associated with the security involved.

State of California Required Disclosures

While our firm endeavors at all times to offer clients specialized services at reasonable costs, the fees charged by other investments advisers for comparable services may be lower than the fees charged by our firm.

Brokerage Practices

If you participate in the Program, you will be required to establish an account with RBC. If you do not direct our firm to execute transactions through RBC, we reserve the right to not accept your account. Not all advisers require their clients to direct brokerage. Since you are required to use RBC, we may be unable to achieve the most favorable execution of your transactions. We believe that RBC provides quality execution services based on several factors, including, but not limited to, the ability to provide professional services, reputation, experience and financial stability.

Research and Other Soft Dollar Benefits

We do not have any soft dollar arrangements.

Economic Benefits

As a registered investment adviser we have access to the institutional platform of your account custodian. As such, we will also have access to research products and services from your account custodian. These products may include financial publications, information about particular companies and industries, research software, and other products or services that provide lawful and appropriate assistance to our firm in the performance of our investment decision-making responsibilities. Such research products and services are provided to all investment advisers that utilize the institutional services platforms of these firms, and are not considered to be paid for with soft dollars. However, you should be aware that the commissions charged by a particular broker for a particular transaction or set of transactions may be greater than the amounts another broker who did not provide research services or products might charge.

Brokerage for Client Referrals

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

Assets Under Management

As of December 31, 2020, we manage \$17,546,273 in client assets on a discretionary basis and \$12,963,424 on a non-discretionary basis.

Item 5 Account Requirements and Types of Clients

We offer investment advisory services to individuals, including high net worth individuals.

Generally, we require a minimum account size of \$50,000 to open and maintain an advisory account with our firm. We may waive or lower this minimum requirement in our sole discretion. We may combine the account values of family members living in the same household to determine the applicable Program fee.

Item 6 Portfolio Manager Selection and Evaluation

We are the sponsor and sole portfolio manager for the Program. Our firm does not utilize outside portfolio managers. Our firm and our Associated Persons act as portfolio managers for the Program. We rely on Envestnet's performance information for individual securities and model portfolios. Where we receive information from Envestnet, we rely on Envestnet's recommendations and generally include the recommended securities and model portfolios in the Program. We do not independently verify and cannot guarantee the accuracy of the information received, including performance information, from a third party or any other source. Your investment adviser representative will assist you in the selection of investments and model portfolios that are suitable for your specific investment needs.

On an ongoing basis, either our firm or an independent third party will review the manager(s) participating in the Program to determine whether they should continue to participate in the Program. We make no representation regarding the performance of any investment strategy, or security, recommended by any portfolio manager participating in the Program. Past performance is not a guarantee of future performance.

You will work with an Associated Person of our firm to identify your financial needs, investment objectives, tolerance for risk, and investment time horizon for each account to be established within the Program. Based on information you provide, we will assist you in identifying objectives in accordance with the risk profile that is suitable for the account. Each portfolio is constructed with a view to

achieving certain objectives and risk profiles, and we will manage the account's assets to reflect the portfolio selected by you.

Performance-Based Fees and Side-by-Side Management

We do not accept performance-based fees or participate in side-by-side management. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Our fees are calculated and charged as described above in *Item 4 - Services, Fees, and Compensation*, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

Methods of Analysis, Investment Strategies and Risk of Loss

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

Charting Analysis - involves the gathering and processing of price and volume pattern information for a particular security, sector, broad index or commodity. This price and volume pattern information is analyzed. The resulting pattern and correlation data is used to detect departures from expected performance and diversification and predict future price movements and trends.

Risk: Our charting analysis may not accurately detect anomalies or predict future price movements. Current prices of securities may reflect all information known about the security and day-to-day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

Fundamental Analysis - involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company and its industry. The resulting data is used to measure the true value of the company's stock compared to the current market value.

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

Cyclical Analysis - a type of technical analysis that involves evaluating recurring price patterns and trends. Economic/business cycles may not be predictable and may have many fluctuations between long term expansions and contractions.

Risk: The lengths of economic cycles may be difficult to predict with accuracy and therefore the risk of cyclical analysis is the difficulty in predicting economic trends and consequently the changing value of securities that would be affected by these changing trends.

Technical Analysis - involves studying past price patterns, trends, and interrelationships in the financial markets to assess risk-adjusted performance and predict the direction of both the overall market and specific securities.

Risk: The risk of market timing based on technical analysis is that our analysis may not accurately detect anomalies or predict future price movements. Current prices of securities may reflect all information known about the security and day-to-day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

Modern Portfolio Theory (MPT) - a theory of investment which attempts to maximize portfolio expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, by carefully diversifying the proportions of various assets.

Risk: Market risk is that part of a security's risk that is common to all securities of the same general class (stocks and bonds) and thus cannot be eliminated by diversification.

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.

Risk: Using a long-term purchase strategy generally assumes the financial markets will go up in the long-term which may not be the case. There is also the risk that the segment of the market that you are invested in or perhaps just your particular investment will go down over time even if the overall financial markets advance. Purchasing investments long-term may create an opportunity cost - "locking-up" assets that may be better utilized in the short-term in other investments.

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.

Risk: Using a short-term purchase strategy generally assumes that we can predict how financial markets will perform in the short-term which may be very difficult and will incur a disproportionately higher amount of transaction costs compared to long-term trading. There are many factors that can affect financial market performance in the short-term (such as short-term interest rate changes, cyclical earnings announcements, etc.) but may have a smaller impact over longer periods of times.

Margin Transactions - a securities transaction in which an investor borrows money to purchase a security, in which case the security serves as collateral on the loan.

Risk: If the value of the shares drops sufficiently, the investor will be required to either deposit more cash into the account or sell a portion of the stock in order to maintain the margin requirements of the account. This is known as a "margin call." An investor's overall risk includes the amount of money invested plus the amount that was loaned to them.

Option Writing - a securities transaction that involves selling an option. An option is the right, but not the obligation, to buy or sell a particular security at a specified price before the expiration date of the option. When an investor sells an option, he or she must deliver to the buyer a specified number of shares if the buyer exercises the option. The seller pays the buyer a premium (the market price of the option at a particular time) in exchange for writing the option.

Risk: Options are complex investments and can be very risky, especially if the investor does not own the underlying stock. In certain situations, an investor's risk can be unlimited.

Our investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio.

We may use short-term trading (in general, selling securities within 30 days of purchasing the same securities) as an investment strategy when managing your account(s). Short-term trading is not a fundamental part of our overall investment strategy, but we may use this strategy occasionally when we determine that it is suitable given your stated investment objectives and tolerance for risk.

We may use investment strategies that involve buying and selling securities frequently in an effort to capture significant market gains and avoid significant losses during a volatile market. However, frequent trading can negatively affect investment performance.

Tax Considerations

Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you consult with a tax professional prior to and throughout the investing of your assets.

Moreover, as a result of revised IRS regulations, custodians and broker-dealers will begin reporting the cost basis of equities acquired in client accounts on or after January 1, 2011. Your custodian will default to the "first-in, first-out" ("FIFO") accounting method for calculating the cost basis of your investments. You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, please provide written notice to our firm immediately and we will alert your account custodian of your individually selected accounting method. Please note that decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

Risk of Loss

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

Other Risk Considerations

When evaluating risk, financial loss may be viewed differently by each client and may depend on many different risks, each of which may affect the probability and magnitude of any potential losses. The following risks may not be all-inclusive, but should be considered carefully by a prospective client before retaining our services.

Liquidity Risk: The risk of being unable to sell your investment at a fair price at a given time due to high volatility or lack of active liquid markets. You may receive a lower price or it may not be possible to sell the investment at all.

Credit Risk: Credit risk typically applies to debt investments such as corporate, municipal, and sovereign fixed income or bonds. A bond issuing entity can experience a credit event that could impair or erase the value of an issuer's securities held by a client.

Inflation and Interest Rate Risk: Security prices and portfolio returns will likely vary in response to changes in inflation and interest rates. Inflation causes the value of future dollars to be worth less and may reduce the purchasing power of a client's future interest payments and principal. Inflation also generally leads to higher interest rates which may cause the value of many types of fixed income investments to decline.

Horizon and Longevity Risk: The risk that your investment horizon is shortened because of an unforeseen event, for example, the loss of your job. This may force you to sell investments that you were expecting to hold for the long term. If you must sell at a time that the markets are down, you may

lose money. Longevity Risk is the risk of outliving your savings. This risk is particularly relevant for people who are retired, or are nearing retirement.

Proxy Voting

We will not vote proxies on behalf of your advisory accounts. At your request, we may offer you advice regarding corporate actions and the exercise of your proxy voting rights. If you own shares of applicable securities, you are responsible for exercising your right to vote as a shareholder. In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward any electronic solicitation to vote proxies.

Item 7 Client Information Provided to Portfolio Managers

Our wrap fee program is managed on a client-by-client basis. We take into account each client's personal circumstances, short and long-term goals, and risk tolerance. We then develop an asset allocation target (equities and fixed income) that is mutually agreed upon. The portfolio will be rebalanced back to the allocation target(s) periodically. The target mix will be adjusted over time as the client's circumstances change.

Our Associated Persons communicate directly with clients on a regular basis as needed in order to ensure your most current investment goals and objectives are understood and are followed. In most cases, we will communicate such information as part of our regular investment management duties. In addition, you may communicate personal information, instructions, and changes in your investment goals and objectives when market or economic conditions warrant such action directly to an Associated Person of our firm. Our Associated Persons are our firm's officers, employees, and all individuals providing investment advice on behalf of our firm.

Item 8 Client Contact with Portfolio Managers

Without restriction, you should contact our firm or your advisory representative directly with any questions regarding your Program account.

Item 9 Additional Information

Disciplinary Information

We are required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of our advisory business or the integrity of our management. As more fully described below under the sub-heading *Other Financial Industry Activities and Affiliations*, our firm is concurrently registered as a broker-dealer with the SEC. In our separate capacity as a broker-dealer, our firm was involved in the following disciplinary events:

On December 4, 2020, we consented to an Acceptance, Waiver & Consent ("AWC") due to a failure to establish and implement an anti-money laundering (AML) program reasonably designed to detect and cause the reporting of potentially suspicious activity relating to transactions involving low-priced securities; and a failure to establish a due diligence program including policies, procedures, and controls reasonably designed to detect and report any known or suspected money laundering activity conducted through or involving correspondent accounts for foreign financial institutions in violation of FINRA Rules 3310(a), 3310(b) and 2010. Without admitting or denying the allegations, we consented to the sanctions and undertaking and the firm was censured and fined \$55,000.

On December 5, 2017, we consented to an AWC due to a failure to establish and maintain a supervisory system, including written supervisory procedures, reasonably designed to prevent unsuitable trading in certain customer accounts in violation of NASD Rules 3010(A) and 3010 (B) and FINRA Rules 3110 (A), 3110(B) and 2010. Without admitting or denying the allegations, we consented to the sanctions and undertaking and the firm was censured and fined \$60,000.

On May 16, 2007, we consented to an AWC due to an individual registration "parking" violation and deficiencies in communications with the public in connection with a routine examination of the firm. Without admitting or denying the allegations, we consented to the sanctions and the firm was censured and fined \$35,000.

On November 23, 2005, we consented to an Acceptance, Waiver & Consent ("AWC") due to a failure to maintain required net capital in connection with an escrow account for a private placement offering. Without admitting or denying the allegations, we consented to the sanctions and the firm was censured and fined \$20,000.

Other Financial Industry Activities and Affiliations

In addition to being registered as an investment adviser, our firm is also registered as a broker-dealer and is a member of FINRA and the SIPC in such capacity. Persons providing investment advice on behalf of our firm are also registered representatives of our firm in its capacity as a broker-dealer. As registered representatives, these persons will receive commission-based compensation in connection with the purchase and sale of securities, including 12b-1 fees for the sale of investment company products. Compensation earned by these persons in their capacities as registered representatives is separate and in addition to our advisory fees. This practice presents a conflict of interest because persons providing investment advice on behalf of our firm who are registered representatives have an incentive to effect securities transactions for the purpose of generating commissions rather than solely based on your needs. In the case of mutual funds, we primarily recommend no-load or load-waived funds. However, you are under no obligation, contractually or otherwise, to purchase securities products through any person affiliated with our firm. Our Associated Persons, including those who are licensed as registered representatives of our firm, are required to act at all times in accordance with our firm's Code of Ethics (as discussed herein), and to act only from principles of fair and equitable dealing and good faith with respect to our advisory clients.

We, nor any of the management persons are registered, have an application pending to register as a futures commission merchant, commodity pool operator, a commodity trading advisor, or as an associated person of the foregoing entities.

Relationship with the General Partner of Pooled Investment Vehicles

Buttonwood Group Advisors, LLC ("BGA") and Buttonwood Select Opportunities Management Associates, LLC ("BSOMA") are affiliates of our firm through common control and management personnel; specifically, Mr. Joseph A. Alagna, Jr. and Mr. Stephan A. Stein, principals of our firm, are also the principals of BGA and BSOMA. BGA and BSOMA respectively provide investment advisory services and sponsor pooled private investment vehicles that invest and trade in securities.

Mr. Alagna and Mr. Stein are not required to devote all of their time to any of our firm, BGA or BSOMA. However, actual conflicts of interest exist with respect to Messrs. Alagna's and Stein's allocation of time to the clients of the foregoing entities as well as their allocation of investment opportunities to such clients. For example, because the compensation Messrs. Alagna and Stein receive as a result of their work for each of these entities varies in character (i.e., asset-based, performance-based, a combination of the two, etc.) and amount, they may be incentivized to allocate more of their time to one or more entities (or such entities' clients) over one or more than the other(s). Messrs. Alagna and Stein are required to act at all times in accordance with our firm's Code of Ethics (as discussed herein),

and to act only from principles of fair and equitable dealing and good faith with respect to all parties.

Relationship with an Insurance Agency

We are affiliated with Joseph Gunnar Agency, an insurance agency, through common control and ownership. Certain Associated Persons of our firm also act as licensed insurance agents of Joseph Gunnar Agency. Such persons will earn commission-based compensation for selling insurance products, including insurance products they may sell to you. Insurance commissions earned by these persons are separate and in addition to our advisory fees. Our ability to refer you to our affiliate for services and the potential for our Associated persons to receive commissions in connection with the sale of insurance products presents a conflict of interest insofar as persons providing investment advice on behalf of our firm who are also insurance agents have a financial incentive to recommend insurance products to you rather than basing such recommendations solely on your needs. While we believe the compensation charged by our affiliate to be competitive, such compensation may be higher than fees charged by other firms providing the same or similar services or products. You are under no obligation to use our affiliate's services and may obtain comparable services and/or lower fees through other firms. Our Associated Persons, including those who are licensed as insurance agents, are required to act at all times in accordance with our firm's Code of Ethics (as discussed herein), and to act only from principles of fair and equitable dealing and good faith with respect to our advisory clients.

Insurance products will not be offered to clients in any state unless the investment adviser representative is appropriately licensed to sell insurance products in that state. Specifically no investment adviser representative will be permitted to offer insurance products to clients in Pennsylvania unless he/she is licensed to do so in Pennsylvania.

Recommendation of Other Advisers

We may recommend that you use a third party money manager ("TPMM"), through Envestnet Asset Management, based on your needs and suitability. As part of our due diligence process, we ensure all TPMMs recommended are properly licensed and registered. We will receive compensation from the TPMM for recommending that you use their services. These compensation arrangements present a conflict of interest because we have a financial incentive to recommend the services of the third party adviser. When using a TPMM the total fees will not exceed 3% of AUM. You are not obligated, contractually or otherwise, to use the services of any TPMM we recommend. We do not have any other business relationships with the recommended TPMM(s). Refer to the *Advisory Business* section above for additional disclosures on this topic.

Prior to introducing Pennsylvania clients to another investment adviser ("IA"), JGUN will be responsible for determining whether the investment advisory firm is properly licensed, notice filed, or exempt from registration with the Department.

Code of Ethics

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

Clients or prospective clients may obtain a copy of our Code of Ethics by contacting us at the telephone number on the cover page of this brochure.

Participation or Interest in Client Transactions

Our affiliates, BGA and BSOMA, serve as the Investment Adviser and Manager, respectively, to

private pooled investment vehicles. These funds include: Buttonwood Select Opportunities Fund LLC, Buttonwood Select Opportunities QP Fund LLC, Buttonwood Alpha Fund LLC, Buttonwood Alpha QP Fund LLC, Buttonwood Horizon Fund LLC, Buttonwood Horizon QP Fund LLC and Buttonwood H1 Fund, LLC (collectively, the "Funds"). Clients may be solicited to invest in these Funds. Persons associated with our firm may have significant investments in the Funds. In addition, our firm, in its capacity as a broker-dealer, is paid a placement fee based on the percentage of sales proceeds from sales of the Funds. Accordingly, we may have an incentive to recommend the Funds over other investments. If you are an investor in the Funds, please refer to the Funds' respective offering documents for detailed disclosures regarding the Funds.

As discussed above, our firm shares common management personnel (Messrs. Alagna and Stein) with BGA and BSOMA, entities which respectively provide advisory services and sponsor pooled private investment vehicles (i.e., the "Funds"). Messrs. Alagna and Stein may, in their capacities as principals of BSOMA, privately offer the securities of the Funds to certain of our advisory clients. Should such clients consequently invest in any of the Fund(s), Messrs. Alagna and Stein will indirectly receive compensation as a result of their participation; specifically, such clients will be subject to certain reallocations of profits re-allocable and fees and payable to BGA and BSOMA, entities which Messrs. Alagna and Stein operate.

Although any private offering of securities either Mr. Alagna or Mr. Stein makes to any client of our firm will be done strictly in his capacity as an "agent of the issuer" (i.e., BSOMA), Mr. Alagna and Mr. Stein will be required to simultaneously bear in mind the client's relationship to our firm and act accordingly. Specifically, by virtue being an advisory client, Messrs. Alagna and Stein, as principals of our firm, owe a fiduciary duty to any such client, generally, and will, as such and among other things, be required to consider the client's investment objectives and individual situation before and while engaging in any private offering to such client.

Additionally, individuals associated with our firm may buy or sell – for their personal account(s) - investment products identical to those purchased by clients. This practice may create a conflict of interest because we have the ability to trade ahead of clients and potentially receive more favorable prices than the clients will receive. To mitigate this conflict of interest, it is our policy that neither our firm nor persons associated with our firm shall have priority over clients in the purchase or sale of securities.

Investment by Our Firm and its Management in Securities Recommended to Clients

Our firm and/or our personnel may manage accounts which belong either to themselves, individually, or to their family members (collectively, "Proprietary Accounts") while simultaneously continuing to manage the accounts of our advisory clients (including those belonging to the Funds). Such Proprietary Accounts may make investments in the same securities we recommend to client or securities in which clients are already invested. It is possible orders for securities for Proprietary Accounts may be entered opposite to orders for advisory client accounts, pursuant to, for instance, a different trading strategy, or trading at a different risk level.

Our firm and/or our personnel may also buy or sell securities for you at the same time we or persons associated with our firm buy or sell such securities for our own account(s). A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To mitigate this conflict of interest, it is our policy that neither our firm nor persons associated with our firm shall have priority over your account in the purchase or sale of securities.

Aggregated Trades

When in the best interest of clients, we combine multiple orders for shares of the same securities

purchased for discretionary advisory accounts we manage (this practice is commonly referred to as "aggregated trading"). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. You will not pay any portion of the transaction costs in addition to the program fee. In the event an order is only partially filled, the shares will be allocated to participating accounts in a fair and equitable manner, typically in proportion to the size of each client's order. Accounts owned by our firm or persons associated with our firm may participate in aggregated trading with your accounts; however, they will not be given preferential treatment.

General Information about Conflicts of Interest

The overarching principle guiding our Code of Ethics and the application thereof with respect to conflicts of interest is that the personal interest(s) of our firm and/or its management personnel should not be placed improperly before the interests of our advisory clients. More specifically, management personnel must not use their personal influence or personal relationship improperly to influence investment decisions of our clients whereby such member of management would benefit personally to the detriment of such clients or cause the clients to take action, or fail to take action, for the individual personal benefit of our firm or any member of its management rather than the benefit of the clients.

Review of Accounts

John Govic, Chief Compliance Officer, will monitor your account(s) on an ongoing basis and will conduct account reviews at least annually and upon your request to ensure that the advisory services provided to you and/or the portfolio mix are consistent with your stated investment needs and objectives. Additional reviews may be conducted based on various circumstances, including, but not limited to:

- contributions and withdrawals,
- year-end tax planning,
- market moving events,
- security specific events, and/or,
- changes in your risk/return objectives.

We will not provide you with additional or regular written reports in conjunction with account reviews. However, you will receive trade confirmations, monthly or quarterly statements, and year-end tax statements from your account custodian(s).

Client Referrals and Other Compensation

Forgivable Loan

We provide financial assistance to certain registered representatives and investment adviser representatives of our firm by establishing forgivable loans. The forgivable loans are intended to assist the registered representatives or investment adviser representatives with start-up costs for affiliated entities, transition costs and marketing. Under the terms of the forgivable loan, the loan plus accrued interest shall be forgiven, so long as no Event of Default has occurred, during the length of the loan, which is over a five (5) year period. As we do not provide custody and clearing to our clients and our recommended custodian is RBC, the forgivable loans do not and will not in any way affect, or relate or pertain to, the custody arrangements with RBC.

There is no corresponding commitment made by our registered representatives or investment adviser representatives to Joseph Gunnar or any other affiliated entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

Please refer to the *Services, Fees, and Compensation* section including *Research and Other Benefits* for disclosures on research and other benefits we may receive resulting from our relationship with RBC.

As disclosed above, some persons providing investment advice on behalf of our firm are licensed insurance agents of our affiliate, Joseph Gunnar Agency, and/or registered representatives of our firm in its capacity as a securities broker-dealer and member FINRA/SIPC.

Financial Information

We are not required to provide a balance sheet or other financial information to our clients, because we do not require the prepayment of fees in excess of \$500 and six months or more in advance; we do not take custody of client funds or securities; and, we do not have a financial condition that is reasonably likely to impair our ability to meet our commitments to you. Moreover, we have never been the subject of a bankruptcy petition.

Privacy Policy

We view protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that we keep your personal information private and secure.

We do not disclose any nonpublic personal information about you to any non-affiliated third parties, except as permitted by law. In the course of servicing your account, we may share some information with our service providers, such as transfer agents, custodians, broker-dealers, insurance agencies and insurance companies, accountants, consultants, and attorneys.

We restrict internal access to nonpublic personal information about you to employees, who need that information in order to provide products or services to you. We maintain physical and procedural safeguards that comply with regulatory standards to guard your nonpublic personal information and to ensure our integrity and confidentiality. We will not sell information about you or your accounts to anyone. We do not share your information unless it is required to process a transaction, at your request, or required by law.

You will receive a copy of our privacy notice prior to or at the time you sign an advisory agreement with our firm. Thereafter, we will deliver a copy of the current privacy policy notice to you on an annual basis. Please contact our main office at the telephone number on the cover page of this brochure if you have any questions regarding this policy.

Trade Errors

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account. In general, if a trade error results in a profit, the trade error will be corrected in the trade error account of the executing broker-dealer and you will not keep the profit.

Class Action Lawsuits

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

Item 10 Requirements for State-Registered Advisers

Please see disclosures above the *Additional Information* section including *Other Financial Industry Activities and Affiliations* regarding private pooled investment vehicles. We have no other relationship or arrangements with any issuer of securities other than the Funds disclosed above.

Our firm or a management person has been involved in the event(s) described in Item 9 above and listed below, which includes all material facts regarding the event(s):

Joseph Gunnar has been involved and has been found liable in the following arbitration claims:

On August 30, 2002, James J. Crew and Joseph Gunnar jointly and severally were found liable in an arbitration proceeding. A monetary award was issued against James J. Crew and Joseph Gunnar jointly for \$10,000. Joseph Gunnar was found liable for \$35,300 in compensatory damages.

On October 30, 2003, Joseph Gunnar was found liable in an arbitration proceeding. A monetary award was issued against Joseph Gunnar for compensatory damages in the amount of \$121,000.

On June 9, 2003, Joseph Gunnar was found liable in an arbitration proceeding. A monetary award was issued against Joseph Gunnar for \$2,200 to claimants. Joseph Gunnar reimbursed claimants \$500 for filing fees.

On November 21, 2003, Joseph Gunnar was found liable in an arbitration proceeding. A monetary award was paid to claimants for \$61,023.

On March 17, 2002, Joseph Gunnar was found liable in an arbitration proceeding. A monetary award was paid to claimants for \$85,000 plus \$100 reimbursement of filing fee.

On June 12, 2003, Joseph Gunnar was found liable in an arbitration proceeding. A monetary award was paid to claimant for \$9,378 plus reimbursement of \$325 filing fee.

On August 1, 2008, Joseph Gunnar and Michael Camp, jointly and severally, were found liable in an arbitration proceeding. Compensatory damages of \$100,000 was awarded to claimant. The compensatory damages plus \$7,000 in costs were paid to claimant by Joseph Gunnar and Michael Camp jointly and severally.

On November 26, 2013, Joseph Gunnar was found liable in an arbitration proceeding. A monetary award was paid to claimants for \$650,772.55 plus interest and reimbursement of fees of \$23,257.27.

On May 23, 2014, Joseph Gunnar and J. Alagna were found jointly and severally liable in an arbitration proceeding. Joseph Gunnar and J. Alagna, jointly and severally paid claimant \$702,037 in compensatory damages plus interest.

State of California Required Disclosures

All material conflicts of interest under CCR Section 260.238 (k) are disclosed regarding the investment adviser, its representatives or any of its employees, which could be reasonably expected to impair the rendering of unbiased and objective advice.