

ADV Part 2A Informational Brochure



SHULMAN DEMEO ASSET MANAGEMENT, LLC

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James N. DeMeo, Jr., Chief Compliance Officer

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This Brochure provides information about the qualifications and business practices of Shulman DeMeo Asset Management, LLC ("Shulman DeMeo"). If you have any questions about the contents of this Brochure, please contact us at (516) 708-9954 or jdemeo@shulmandemeo.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Our registration does not imply a certain level of skill or training.

Additional information about Shulman DeMeo Asset Management, LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 Statement of Material Changes

All investment advisers are required to identify any material changes to the Form ADV since the most recent filing. There have been no material changes made to Shulman DeMeo Asset Management, LLC's ADV Part 2A, Firm Brochure since the previous Annual Amendment filing on March 10, 2020.

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INFORMATIONAL BROCHURE
SHULMAN DEMEO ASSET MANAGEMENT, LLC

Item 4 Advisory Business

- A. Shulman DeMeo Asset Management, LLC (“Shulman DeMeo”) formed on September 15, 2006 in the state of New York. Shulman DeMeo became registered as an Investment Adviser Firm in April 2007. James N. DeMeo, Jr. and Jason H. Shulman are the firm’s only Managing Members.
- B. Shulman DeMeo offers to its clients (individuals, business entities, trusts, estates and charitable organizations, etc.) investment advisory services, and, to the extent specifically requested by a client, financial planning and related consulting services.

INVESTMENT ADVISORY SERVICES

The client can determine to engage Shulman DeMeo to provide discretionary and/or non-discretionary investment advisory services on a wrap fee basis. If a client determines to engage Shulman DeMeo 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.

Shulman DeMeo Asset Management, LLC Wrap Program

Shulman DeMeo provides investment management services on a wrap fee basis in accordance with Shulman DeMeo’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, Shulman DeMeo is able to offer participants discretionary and/or non-discretionary investment management services, for a single specified annual Program fee, inclusive of trade execution, custody, reporting, and investment management fees. 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. The Wrap Fee Program Brochure is incorporated into this Brochure by reference. All prospective Program participants should read both Shulman DeMeo’s Brochure and the Wrap Fee Program Brochure, and ask any corresponding questions that they may have, prior to participation in the Program.

Shulman DeMeo’s annual investment advisory fee 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 Shulman DeMeo), Shulman DeMeo 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.

Charles Schwab & Co. (“Schwab”) shall serve as the custodian for Program accounts.

Wrap Program-Conflict of Interest. When managing a client’s account on a wrap fee basis, Shulman DeMeo shall receive as payment for its investment advisory services, the balance of the wrap fee after all other costs incorporated into the wrap fee have been deducted. 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 Shulman DeMeo’s Wrap Fee Program Brochure. Because wrap program transaction fees and/or commissions are being paid by Shulman DeMeo to the account broker-dealer/custodian, Shulman

DeMeo could have an economic incentive to minimize the number of trades in the client's account. This presents a conflict of interest. Please refer to the Wrap Fee Program Brochure for more information.

PORTFOLIO MONITORING SERVICE

For clients who wish to also engage Shulman DeMeo for a portfolio monitoring service, such clients may engage Shulman DeMeo to monitor client portfolios or investments held with other independent registered investment advisers. Shulman DeMeo will review various investments, including individual stocks to determine which of these investments is appropriate for each client, depending on his or her individual needs and circumstances. Client investments will then be monitored on a quarterly or as needed basis. Shulman DeMeo will provide this monitoring service on a quarterly basis and will meet with the client at least annually to review performance, allocation of assets, tax liability issues, update the clients profile to reflect any changes in client circumstances, and review and effect any change of beneficiaries. Although Shulman DeMeo will not be involved in any way in the purchase or sale of these investments, Shulman DeMeo will supervise the client's portfolio and will make investment recommendations to the client in accordance with Shulman DeMeo's fiduciary duties. The current annual fee for portfolio monitoring services is up to 2.00% of the client's assets under management. Please Note: The client and/or his/her/their/its own investment advisers that maintain trading authority, and not Shulman DeMeo, shall be exclusively responsible for the investment performance of any such monitored assets.

FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)

To the extent requested by a client, Shulman DeMeo *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 separate fee basis. Prior to engaging Shulman DeMeo to provide planning or consulting services, clients are generally required to enter into a written agreement with Shulman DeMeo 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 Shulman DeMeo commencing services. Shulman DeMeo does not serve as a law firm or accounting firm, and no portion of its services should be construed as legal or accounting services. Accordingly, Shulman DeMeo does not prepare estate planning documents or tax returns. If requested by the client, Shulman DeMeo may recommend the services of other professionals for implementation purposes, including Shulman DeMeo's representatives in their individual capacities as licensed insurance agents. (See disclosure at Item 10 C.8). 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 Shulman DeMeo. If the client engages any professional recommended by Shulman DeMeo, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional.

It remains the client's responsibility to promptly notify Shulman DeMeo if there is ever any change in his/her/its financial situation for the purpose of reviewing/evaluating/ revising Shulman DeMeo's previous recommendations and/or services.

- C. Shulman DeMeo 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 financial situation. Thereafter, Shulman DeMeo shall allocate and/or

recommend that the client allocate investment assets consistent with his/her/its financial goals. The client may, at any time, impose reasonable restrictions, in writing, on Shulman DeMeo's services.

- D. Shulman DeMeo only manages client accounts on a wrap fee basis. As stated above, if a client determines to engage Shulman DeMeo on a wrap fee basis the client will pay a single fee for bundled services (i.e. investment advisory, brokerage, custody) (*See* Item 4.B). The services included in a wrap fee agreement will depend upon each client's particular need. When managing a client's account on a wrap fee basis, Shulman DeMeo, after its payment of all other costs included in the wrap fee (transaction fees, custodial charges, etc.), shall retain the balance of the wrap fee as compensation for its services.

As of December 31, 2020, Shulman DeMeo had \$582,070,449 in regulatory assets under management, of which \$515,306,328 is managed on a discretionary basis and additional \$66,764,121 is managed on a non-discretionary basis.

Item 5 Fees and Compensation

- A. The client can determine to engage Shulman DeMeo to provide discretionary and/or non-discretionary investment advisory services on a wrap fee basis.

Shulman DeMeo Asset Management, LLC Wrap Program Fees

If a client determines to engage Shulman DeMeo to provide investment management services on a wrap fee basis in accordance with Shulman DeMeo'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, Shulman DeMeo is able to offer participants discretionary and/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 0.00% to 2.00%.

Shulman DeMeo's annual investment advisory fee 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 Shulman DeMeo), Shulman DeMeo 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.

PORTFOLIO MONITORING

For clients who wish to also engage Shulman DeMeo for a portfolio monitoring service, such clients may engage Shulman DeMeo to monitor client portfolios or investments held with other independent registered investment advisers. The current annual fee for portfolio monitoring services is up to 2.00% of the client's assets under management.

FINANCIAL PLANNING AND CONSULTING SERVICES FEES (STAND-ALONE)

Shulman DeMeo's planning and consulting fees are negotiable, but generally range from \$5,000 to \$50,000 on a fixed fee basis, and from \$300 to \$700 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. **Fee Payment.** Clients may elect to have Shulman DeMeo's advisory fees deducted from their custodial account. Both Shulman DeMeo's Agreement and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of Shulman DeMeo's investment advisory fee and to directly remit that management fee to Shulman DeMeo in compliance with regulatory procedures. In the limited event that Shulman DeMeo bills the client directly, payment is due upon receipt of Shulman DeMeo's invoice. Shulman DeMeo 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. For example, if a client's annual fee is 1.50%, each quarter Shulman DeMeo will multiply the value of the accounts on the last business day of the previous quarter by 1.50%, then divide by four to calculate our quarterly fee. To the extent there is cash in your account, it will be included in the value for the purpose of calculating fees only if the cash is part of an investment strategy.
- C. **Other Fees.** As discussed below, unless the client directs otherwise or an individual client's circumstances require, Shulman DeMeo shall generally recommend that Schwab serve as the broker-dealer/custodian for client investment management assets. The Program's wrap fee does not include certain charges and administrative fees, including, but not limited to, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses), transaction charges (including mark-ups and mark-downs) resulting from trades effected through or with a broker-dealer other than *Schwab*, transfer taxes, odd lot differentials, exchange fees, interest charges, American Depository Receipt agency processing fees, and any charges, taxes or other fees mandated by any federal, state or other applicable law or otherwise agreed to with regard to client accounts. Such fees and expenses are in addition to the Program's wrap fee.
- D. Shulman DeMeo'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 Agreement between Shulman DeMeo and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the Agreement. Upon termination, Shulman DeMeo shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter.
- E. **Other Compensation.** There are a number of other fees that can be associated with holding and investing in securities. Please see Item 5 C above, but please note that none of such fees are payable to Shulman DeMeo.

Insurance Commission Transactions. Certain professionals of Shulman DeMeo are separately licensed as independent insurance agents. As such, these professionals may conduct insurance product transactions for Shulman DeMeo clients, in their capacity as licensed insurance agents, and will receive customary commissions for these transactions in addition to any compensation receives in their capacities as employees of Shulman DeMeo. Commissions from the sale of insurance products will not be used to offset or as a credit against advisory fees. These professionals therefore have incentive to recommend insurance products based on the compensation to be received, rather than on a client's needs. The receipt of additional fees for insurance commissions is therefore a conflict of interest, and clients should be aware of this conflict when considering whether to engage Shulman DeMeo or utilize these professionals to implement any insurance recommendations. Shulman DeMeo attempts to mitigate this conflict of interest by disclosing the conflict to clients.

Shulman DeMeo informs clients that they are always free to purchase insurance products through other agents that are not affiliated with Shulman DeMeo, or to determine not to purchase the insurance product at all. Shulman DeMeo also attempts to mitigate the conflict of interest by requiring employees to acknowledge in the firm's Code of Ethics, their individual fiduciary duty to the clients of Shulman DeMeo, which requires that employees put the interests of clients ahead of their own.

Shulman DeMeo does not receive more than 50% of its revenue from advisory clients as a result of commissions or other compensation for the sale of insurance products and fixed annuities Shulman DeMeo recommends to its clients.

When Shulman DeMeo's representatives sell an insurance product and/or fixed annuity on a commission basis, Shulman DeMeo 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, Shulman DeMeo's representatives do not also receive commission compensation for such advisory services. However, a client may engage Shulman DeMeo to provide investment management services on an advisory fee basis and separate from such advisory services purchase an investment product from Shulman DeMeo's representatives on a separate commission basis.

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

Neither Shulman DeMeo nor any supervised person of Shulman DeMeo accepts performance-based fees.

Item 7 Types of Clients

Shulman DeMeo's clients shall generally include individuals, business entities, trusts, estates, and charitable organizations, and pension and profit sharing plans. Shulman DeMeo generally requires a minimum asset level of \$2,000,000 per household or corporate entity for investment advisory services. Shulman DeMeo, in its sole discretion, may reduce its investment management fee and/or reduce or waive 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.) .

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

It is important for you to know and remember that all investments carry risks. **Investing in securities involves risk of loss that clients should be prepared to bear.**

Each client's portfolio will be invested according to that client's investment objectives. We determine these objectives by interviewing the client. Once we ascertain your objectives for each account, we will develop a set of asset allocation guidelines. An asset allocation strategy is a percentage-based allocation to different investment types. For example, a client may have an asset allocation strategy that calls for 40-60% of the portfolio to be invested in equity securities, with 20% of that allocated to international equities and the remaining balance in fixed income. Another client may have an asset allocation of 50-60% in fixed income securities and the remainder equities. The percentages in each type that we recommend are based on the typical behavior of that security type, individual securities we follow, current market conditions, your

current financial situation, your financial goals, the timeline to get you to those goals and your risk tolerance. Because we develop an investment strategy based on your personal situation and financial goals, your asset allocation guidelines may be similar to or different from another client's.

Upon completion of the asset allocation policy, we will periodically recommend securities transactions in your portfolio to meet the guidelines of the asset allocation strategy. It is important to remember that because market conditions can vary greatly, your asset allocation guidelines are not necessarily strict rules. Rather, we review accounts individually, and may deviate from the guidelines as we believe necessary.

The specific securities we recommend for your account will depend on market conditions and our research at the time. Generally, we recommend a mix of index funds, exchange traded funds, stocks and bonds, but may also recommend any type of security that is in a client's best interest. Specific funds are chosen based on where its investment objective fits into the asset allocation recommended by Shulman DeMeo, its risk parameters, past performance, peer rankings, fees, expenses, and any other aspects of the fund Shulman DeMeo deems relevant to that particular fund. We base our conclusions on predominantly publicly available research, such as regulatory filings, press releases, competitor analyses, and in some cases research we receive from our custodian or other market analyses. We also participate in regular communications with the investment managers of separate accounts, which helps us achieve insight into their outlook, strategies, and security choices. We will also utilize technical analyses, which means that we will review the past behaviors of the security and the markets in which it trades for signals as to what might happen in the future.

There are always risks to investing. Clients should be aware that all investments carry various types of risk including the potential loss of principal that clients should be prepared to bear. It is impossible to name all possible types of risks. Among the risks are the following:

- **Political Risks.** Most investments have a global component, even domestic stocks. Political events anywhere in the world may have unforeseen consequences to markets around the world.
- **General Market Risks.** Markets can, as a whole, go up or down on various news releases or for no understandable reason at all. This sometimes means that the price of specific securities could go up or down without real reason, and may take some time to recover any lost value. Adding additional securities does not help to minimize this risk since all securities may be affected by market fluctuations.
- **Currency Risk.** When investing in another country using another currency, the changes in the value of the currency can change the value of your security value in your portfolio.
- **Regulatory Risk.** Changes in laws and regulations from any government can change the value of a given company and its accompanying securities. Certain industries are more susceptible to government regulation. Changes in zoning, tax structure or laws impact the return on these investments.
- **Tax Risks Related to Short Term Trading:** Clients should note that Shulman DeMeo may engage in short-term trading transactions. These transactions may result in short term gains or losses for federal and state tax purposes, which may be taxed at a higher rate than long term strategies. Shulman DeMeo endeavors to invest client assets in a tax efficient manner, but all clients are advised to consult with their tax professionals regarding the transactions in client accounts.
- **Purchasing Power Risk.** Purchasing power risk is the risk that your investment's value will decline as the price of goods rises (inflation). The investment's value itself does not decline, but

its relative value does, which is the same thing. Inflation can happen for a variety of complex reasons, including a growing economy and a rising money supply.

- **Business Risk.** This can be thought of as certainty or uncertainty of income. Management comes under business risk. Cyclical companies (like automobile companies) have more business risk because of the less steady income stream. On the other hand, fast food chains tend to have steadier income streams and therefore, less business risk.
- **Financial Risk.** The amount of debt or leverage determines the financial risk of a company.
- **Risks specific to sub-advisors and other managers.** If we invest some of your assets with another advisor, including a private placement, there are additional risks. These include risks that the other manager is not as qualified as we believe them to be, that the investments they use are not as liquid as we would normally use in your portfolio, or that their risk management guidelines are more liberal than we would normally employ.
- **Default Risk.** This risk pertains to the ability of a company to service their debt. Ratings provided by several rating services help to identify those companies with more risk. Obligations of the U.S. government are said to be free of default risk.
- **Margin Risk.** “Margin” is a tool used to maximize returns on a given investment by using securities in a client account as collateral for a loan from the custodian to the client. The proceeds of that loan are then used to buy more securities. In a positive result, the additional securities provide additional return on the same initial investment. In a negative result, the additional securities provide additional losses. Margin therefore carries a higher degree of risk than investing without margin. Any client account that will use margin will do so in accordance with Regulation T. Upon request from a client, Shulman DeMeo may, in its sole discretion, utilize margin on a limited basis for clients with higher risk tolerances.
- **Short Sales.** “Short sales” are a way to implement a trade in a security Shulman DeMeo feels is overvalued. In a “long” trade, the investor is hoping the security increases in price. Thus in a long trade, the amount of the investor’s loss (without margin) is the amount paid for the security. In a short sale, the investor is hoping the security decreases in price. However, unlike a long trade where the price of the security can only go from the purchase price to zero, in a short sale, the price of the security can go infinitely upwards. Thus in a short sale, the potential for loss is unlimited and unknown, where the potential for loss in a long trade is limited and knowable. Shulman DeMeo utilizes short sales only when the client’s risk tolerances permit.
- **Information Risk.** All investment professionals rely on research in order to make conclusions about investment options. This research is always a mix of both internal (proprietary) and external (provided by third parties) data and analyses. Even an adviser who says they rely solely on proprietary research must still collect data from third parties. This data, or outside research is chosen for its perceived reliability, but there is no guarantee that the data or research will be completely accurate. Failure in data accuracy or research will translate to a compromised ability by the adviser to reach satisfactory investment conclusions.
- **Small Companies.** Some investment opportunities in the marketplace involve smaller issuers. These companies may be starting up, or are historically small. While these companies sometimes have potential for outsized returns, they also have the potential for losses because the reasons the company is small are also risks to the company’s future. For example, a company’s management may lack experience, or the company’s capital for growth may be restricted. These small companies also tend to trade less frequently than larger companies, which can add to the risks associated with their securities because the ability to sell them at an appropriate price may be limited as compared to the markets as a whole. Not only do these companies have investment risk, if a client is invested in such small companies and requests immediate or short term liquidity, these securities may require a significant discount to value in order to be sold in a shorter time frame.

- **Concentration Risk.** While Shulman DeMeo selects individual securities, for client portfolios based on an individualized assessment of each security, this evaluation comes without an overlay of general economic or sector specific issue analysis. This means that a client's equity portfolio may be concentrated in a specific sector, geography, or sub-sector (among other types of potential concentrations), so that if an unexpected event occurs that affects that specific sector or geography, for example, the client's equity portfolio may be affected negatively, including significant losses.
- **Transition risk.** As assets are transitioned from a client's prior advisers to Shulman DeMeo there may be securities and other investments that do not fit within the asset allocation strategy selected for the client. Accordingly, these investments will need to be sold in order to reposition the portfolio into the asset allocation strategy selected by Shulman DeMeo. However, this transition process may take some time to accomplish. Some investments may not be unwound for a lengthy period of time for a variety of reasons that may include unwarranted low share prices, restrictions on trading, contractual restrictions on liquidity, or market-related liquidity concerns. In some cases, there may be securities or investments that are never able to be sold. The inability to transition a client's holdings into recommendations of Shulman DeMeo may adversely affect the client's account values, as Shulman DeMeo's recommendations may not be able to be fully implemented.
- **Restriction Risk.** Clients may at all times place reasonable restrictions on the management of their accounts. However, placing these restrictions may make managing the accounts more difficult, thus lowering the potential for returns.
- **Risks Related to Investment Term & Liquidity.** Securities do not follow a straight line up in value. All securities will have periods of time when the current price of the security is not an accurate measure of its value. If you require us to liquidate your portfolio during one of these periods, you will not realize as much value as you would have had the investment had the opportunity to regain its value. Further, some investments are made with the intention of the investment appreciating over an extended period of time. Liquidating these investments prior to their intended time horizon may result in losses.
- **REITs.** Shulman DeMeo may recommend that portions of client portfolios be allocated to real estate investment trusts, otherwise known as "REITs". A REIT is an entity, typically a trust or corporation that accepts investments from a number of investors, pools the money, and then uses that money to invest in real estate through either actual property purchases or mortgage loans. While there are some benefits to owning REITs, which include potential tax benefits, income and the relatively low barrier to invest in real estate as compared to directly investing in real estate, REITs also have some increased risks as compared to more traditional investments such as stocks, and bonds. First, real estate investing can be highly volatile. Second, the specific REIT chosen may have a focus such as commercial real estate or real estate in a given location. Such investment focus can be beneficial if the properties are successful, but lose significant principal if the properties are not successful. REITs may also employ significant leverage for the purpose of purchasing more investments with fewer investment dollars, which can enhance returns but also enhances the risk of loss. The success of a REIT is highly dependent upon the manager of the REIT. Clients should ask Shulman DeMeo any questions regarding the role of REITs in their portfolio.
- **MLPs.** Shulman DeMeo may recommend that portions of client portfolios be allocated to master limited partnerships, otherwise known as "MLPs". An MLP is a publicly traded entity that is designed to provide tax benefits for the investor. In order to preserve these benefits, the MLP must derive most, if not all, of its income from real estate, natural resources and commodities. While MLPs may add diversification and tax favored treatment to a client's portfolio, they also carry significant risks beyond more traditional investments such as stocks, bonds. One such risk is management risk-the success of the MLP is dependent upon the

manager's experience and judgment in selecting investments for the MLP. Another risk is the governance structure, which means the rules under which the entity is run. The investors are the limited partners of the MLP, with an affiliate of the manager typically the general partner. This means the manager has all of the control in running the entity, as opposed to an equity investment where shareholders vote on such matters as board composition. There is also a significant amount of risk with the underlying real estate, resources or commodities investments. Clients should ask Shulman DeMeo any questions regarding the role of MLPs in their portfolio.

- **Retirement Plan Rollovers-No Obligation/Conflict of Interest.** A 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 his/her former employer's plan, if permitted, (ii) roll over the assets to his/her 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). Shulman DeMeo may recommend an investor roll over plan assets to an IRA managed by Shulman DeMeo. As a result Shulman DeMeo and its representatives may earn an asset-based fee. In contrast, a recommendation that a client or prospective client leave his or her plan assets with his/her former employer or roll the assets to a plan sponsored by a new employer will generally result in no compensation to Shulman DeMeo (unless clients engage Shulman DeMeo to monitor and/or manage the account while maintained at his/her employer). Shulman DeMeo has an economic incentive to encourage a client to roll plan assets into an IRA that Shulman DeMeo will manage or to engage Shulman DeMeo to monitor and/or manage the account while maintained at the client's employer. There are various factors that Shulman DeMeo may consider before recommending a rollover, including but not limited to: (i) the investment options available in the plan versus the investment options available in an IRA, (ii) fees and expenses in the plan versus the fees and expenses in an IRA, (iii) the services and responsiveness of the plan's investment professionals versus Shulman DeMeo's, (iv) protection of assets from creditors and legal judgments, (v) required minimum distributions and age considerations, and (vi) employer stock tax consequences, if any. No client is under any obligation to roll over plan assets to an IRA managed by Shulman DeMeo or to engage Shulman DeMeo to monitor and/or manage the account while maintained at the client's employer. If Shulman DeMeo's engagement will include the management of the client's retirement account per the same fee schedule set forth in Item 5 below, regardless of custodian or the client's decision to process a rollover, the above economic incentive to recommend a rollover is generally not present.

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

- **Client Information.** In performing its services, Shulman DeMeo 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 his/her/its responsibility to promptly notify Shulman DeMeo if there is ever any change in his/her/its financial situation for the purpose of reviewing/evaluating/revising Shulman DeMeo's previous recommendations and/or services.

- **Excess Cash Balance Risk.** Client accounts may have cash balances in excess of \$250,000, which is the insurance limit of the Federal Deposit Insurance Corporation. For cash balances in excess of that amount, there is an enhanced risk that operation related counterparty risk related to the account custodian could cause losses in the account. We mitigate this risk by carrying cash

balances in amounts either subject to protection or as limited as you, the client, directs. You may elect to participate in a “cash sweep” program through your account custodian which automatically moves excess cash from your investment account into a cash account and then invests that cash into cash based investments, such as money market funds. We do not receive compensation of any kinds for facilitating your participation in such cash sweep accounts.

Item 9 Disciplinary Information

Shulman DeMeo has not been the subject of any disciplinary actions.

Item 10 Other Financial Industry Activities and Affiliations

- A. Neither Shulman DeMeo, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither Shulman DeMeo, 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. Certain professionals of Shulman DeMeo are separately licensed as independent insurance agents. As such, these professionals may conduct insurance product transactions for Shulman DeMeo clients, in their capacity as licensed insurance agents, and will receive customary commissions for these transactions in addition to any compensation receives in their capacities as employees of Shulman DeMeo. Commissions from the sale of insurance products will not be used to offset or as a credit against advisory fees. These professionals therefore have incentive to recommend insurance products based on the compensation to be received, rather than on a client’s needs. The receipt of additional fees for insurance commissions is therefore a conflict of interest, and clients should be aware of this conflict when considering whether to engage Shulman DeMeo or utilize these professionals to implement any insurance recommendations. Shulman DeMeo attempts to mitigate this conflict of interest by disclosing the conflict to clients, and informing the clients that they are always free to purchase insurance products through other agents that are not affiliated with Shulman DeMeo, or to determine not to purchase the insurance product at all. Shulman DeMeo also attempts to mitigate the conflict of interest by requiring employees to acknowledge in the firm’s Code of Ethics, their individual fiduciary duty to the clients of Shulman DeMeo, which requires that employees put the interests of clients ahead of their own.
- D. Shulman DeMeo does not currently recommend or select other investment advisers to manage any portion of client accounts.

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

- A. A copy of our Code of Ethics is available upon request. Our Code of Ethics includes discussions of our fiduciary duty to clients, political contributions, gifts, entertainment, and trading guidelines.
- B. Not applicable. Shulman DeMeo does not recommend to clients that they invest in any security in which Shulman DeMeo or any principal thereof has any financial interest.

- C. On occasion, an employee of Shulman DeMeo may purchase for his or her own account securities which are also recommended for clients. Our Code of Ethics details rules for employees regarding personal trading and avoiding conflicts of interest related to trading in one's own account. To avoid placing a trade before a client (in the case of a purchase) or after a client (in the case of a sale), all employee trades must be reviewed by the Compliance Officer. All employee trades must either take place in the same block as a client trade or sufficiently apart in time from the client trade so the employee receives no added benefit. Employee statements are reviewed to confirm compliance with the trading procedures.
- D. On occasion, an employee of Shulman DeMeo may purchase for his or her own account securities which are also recommended for clients at the same time the clients purchase the securities. Our Code of Ethics details rules for employees regarding personal trading and avoiding conflicts of interest related to trading in one's own account. To avoid placing a trade before a client (in the case of a purchase) or after a client (in the case of a sale), all employee trades must be reviewed by the Compliance Officer. All employee trades must either take place in the same block as a client trade or sufficiently apart in time from the client trade so the employee receives no added benefit. Employee statements are reviewed to confirm compliance with the trading procedures.

Item 12 Brokerage Practices

A. Recommendation of Broker-Dealer

Shulman DeMeo does not maintain custody of client assets; although Shulman DeMeo may be deemed to have custody if a client grants Shulman DeMeo authority to debit fees directly from their account (see Item 15 below). Assets will be held with a qualified custodian, which is typically a bank or broker-dealer. Shulman DeMeo recommends that investment accounts be held in custody by Schwab Advisor Services ("Schwab"), which is a qualified custodian. Shulman DeMeo is independently owned and operated and is not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when Shulman DeMeo instructs them to, which Shulman DeMeo does in accordance with its agreement with you. While Shulman DeMeo recommends that you use Schwab as custodian/broker, you will decide whether to do so and will open your account with Schwab by entering into an account agreement directly with them. Shulman DeMeo does not open the account for you, although Shulman DeMeo may assist you in doing so. Even though your account is maintained at Schwab, we can still use other brokers to execute trades for your account as described below (see "Your brokerage and custody costs").

How we select brokers/custodians

We seek to recommend a custodian/broker that will hold your assets and execute transactions on terms that are, overall, most advantageous when compared with other available providers and their services. We consider a wide range of factors, including quantitative (Ex: costs) and qualitative (execution, reputation, service) factors. We do not consider whether Schwab or any other broker-dealer/custodian, refers clients to Shulman DeMeo as part of our evaluation of these broker-dealers.

Your brokerage and custody costs

For our clients' accounts that Schwab maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on

trades that it executes or that settle into your Schwab account. In addition to commissions, Schwab charges you a flat dollar amount as a “prime broker” or “trade away” fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we have Schwab execute most trades for your account. We have determined that having Schwab execute most trades is consistent with our duty to seek “best execution” of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see “How we select brokers/custodians”).

Products and services available to us from Schwab

Schwab Advisor Services™ (formerly called Schwab Institutional®) is Schwab’s business serving independent investment advisory firms like Shulman DeMeo. They provide Shulman DeMeo and our clients with access to its institutional brokerage services (trading, custody, reporting, and related services), many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help Shulman DeMeo manage or administer our clients’ accounts, while others help Shulman DeMeo manage and grow our business. Schwab’s support services are generally available on an unsolicited basis (we don’t have to request them) and at no charge to Shulman DeMeo. Following is a more detailed description of Schwab’s support services:

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

Services that may not directly benefit you. Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients’ accounts. They include investment research, both Schwab’s own and that of third parties. We may use this research to service all or a substantial number of our clients’ accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements);
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of our fees from our clients’ accounts
- Assist with back-office functions, recordkeeping, and client reporting

Services that generally benefit only us. Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events
- Consulting on technology, compliance, legal, and business needs

- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers

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

Our interest in Schwab's services

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services. These services are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody. We may have an incentive to recommend that you maintain your account with Schwab, based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's services (see "How we select brokers/ custodians") and not Schwab's services that benefit only us.

We do not consider whether Schwab or any other broker-dealer/custodian, refers clients to Shulman DeMeo as part of our evaluation of these broker-dealers.

B. Aggregating Trades

Commission costs per client may be lower on a particular trade if all clients in whose accounts the trade is to be made are executed at the same time. This is called aggregating trades. For clients not working with Shulman DeMeo through the wrap program, Shulman DeMeo may place trades for the same security needed in multiple accounts by executing one trade, and then allocate the trades to each account after execution. If an aggregate trade is not fully executed, the securities will be allocated to client accounts on a *pro rata* basis, except where doing so would create an unintended adverse consequence (For example, if a *pro rata* division would result in a client receiving a fraction of a share, or a position in the account of less than 1%.)

Item 13 Review of Accounts

- For those clients to whom Shulman DeMeo provides investment advisory services, account reviews are conducted on an ongoing basis by Shulman DeMeo's Principals and representatives. All investment supervisory clients are advised that it remains their responsibility to advise Shulman DeMeo of any changes in their financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), financial situation and account performance with Shulman DeMeo on an annual basis.
- Shulman DeMeo may conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client's 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. Shulman DeMeo may also provide a written periodic report summarizing account activity and performance.

Item 14 Client Referrals and Other Compensation

- A. As referenced in Item 12.A.1 above, Shulman DeMeo may receive indirect economic benefits from *Schwab* or other entities including support services and/or products without cost (and/or at a discount). Shulman DeMeo's clients do not pay more for investment transactions effected and/or assets maintained at *Schwab* as a result of this arrangement. There is no corresponding commitment made by Shulman DeMeo to *Schwab* or any other entity to invest any specific amount or percentage of client assets in any specific securities or other investment products as a result of the above arrangement.

Item 15 Custody

There are two avenues through which Shulman DeMeo has custody of client funds; by directly debiting its fees from client accounts pursuant to applicable agreements granting such right, and potentially by permitting clients to issue standing letters of authorization ("SLOAs"). SLOAs permit a client to issue one document that directs Shulman DeMeo to make distributions out of the client's account(s).

Shulman DeMeo shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients whose fees are directly debited will provide written authorization to debit advisory fees from their accounts. 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. Shulman DeMeo may also provide a written periodic report summarizing account activity and performance.

To the extent that Shulman DeMeo provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by Shulman DeMeo with the account statements received from the account custodian. The account custodian does not verify the accuracy of Shulman DeMeo's advisory fee calculation.

In addition to the account custodian's custody procedures, clients issuing SLOAs will be requested to confirm, in writing, that the accounts to which funds are distributed are parties unrelated to Shulman DeMeo.

Item 16 Investment Discretion

Asset management services will be provided on a "discretionary" basis. When Shulman DeMeo is engaged to provide asset management services on a discretionary basis, we will monitor your accounts to ensure that they are meeting your asset allocation requirements. If any changes are needed to your investments, we will make the changes. These changes may involve selling a

security or group of investments and buying others or keeping the proceeds in cash. You may at any time place restrictions on the types of investments we may use on your behalf, or on the allocations to each security type. You will receive written or electronic confirmations from your account custodian after any changes are made to your account. You will also receive monthly statements from your account custodian. Clients engaging us on a discretionary basis will be asked to execute a Limited Power of Attorney (granting us the discretionary authority over the client accounts) as well as an Investment Management Agreement that outlines the responsibilities of both the client and Shulman DeMeo.

We recommend that clients utilize Schwab Advisor Services to act as the broker-dealer/custodian for their accounts. And, Shulman DeMeo will not direct trades through another broker-dealer aside from Schwab Advisor Services in exchange for any sort of fee-sharing or commission-splitting.

Item 17 Voting Client Securities

- A. Shulman DeMeo does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities 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 Shulman DeMeo to discuss any questions they may have with a particular solicitation.

Item 18 Financial Information

- A. Shulman DeMeo does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. Shulman DeMeo 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. Shulman DeMeo has not been the subject of a bankruptcy petition.