

Federmann Financial Advisors Inc.

SEC File Number: 801 – 71273

ADV Part 2A, Firm Brochure

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This Brochure provides information about the qualifications and business practices of Federmann Financial Advisors Inc. If you have any questions about the contents of this Brochure, please contact us at (631) 981-1904 or lisa@fedadvisors.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Federmann Financial Advisors Inc. also is available on the SEC's website at www.adviserinfo.sec.gov.

References herein to Federmann Financial Advisors Inc. as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.

Item 2 Material Changes

Since Federmann Financial Advisors, Inc.'s most recent Annual Amendment filing on March 4, 2020, this Disclosure Brochure has been revised as follows:

- At Item 5 to revise the minimum fee for tax preparation services
- At Item 8 to discuss closed-end mutual funds, which are generally not utilized by the firm in managing client accounts, but may be transferred to the firm's management
- At Item 10 to remove reference to a former associated person of the firm

ANY QUESTIONS: Federmann Financial Advisors' Chief Compliance Officer, Lisa Kelly, remains available to address any questions that an existing or prospective client may have regarding this Brochure

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Item 4 Advisory Business

- A. Federmann Financial Advisors Inc. (“Federmann Financial”) is a corporation formed on December 15, 2005 in the State of New York. Federmann Financial became registered as an Investment Adviser Firm in 2006. Federmann Financial became registered as an investment adviser with the Securities and Exchange Commission in 2010. Federmann Financial is owned by Lisa A. Kelly, Federmann Financial’s President and Chief Compliance Officer.
- B. As discussed below, Federmann Financial offers to its clients (individuals and high net worth individuals, etc.) investment advisory services, and, to the extent specifically requested by a client, financial planning and related consulting services. Federmann Financial generally recommends investments in bonds, shares of mutual funds, and exchange traded funds when providing investment advisory services to clients.

INVESTMENT ADVISORY SERVICES

The client can determine to engage Federmann Financial to provide discretionary investment advisory services on a *fee-only* basis. Federmann Financial’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 Federmann Financial), Federmann Financial 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.

Federmann Financial provides investment advisory services specific to the needs of each client. Before providing investment advisory services, an investment adviser representative will ascertain each client’s investment objectives. Thereafter, Federmann Financial will allocate investment assets consistent with the designated investment objectives. Once allocated, Federmann Financial provides ongoing monitoring and review of account performance, asset allocation and client investment objectives.

FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)

To the extent specifically requested by a client, Federmann Financial *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 Federmann Financial to provide planning or consulting services, clients are generally required to enter into a *Financial Planning Agreement* with Federmann Financial 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 Federmann Financial commencing services. If requested by the client, Federmann Financial may recommend the services of other professionals for implementation purposes. 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 Federmann Financial. **Please Note:** If the client engages any professional (i.e. attorney, accountant, insurance agent, etc.), recommended or otherwise, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from the engaged professional. At all times, the engaged licensed professional(s), and not Federmann Financial, shall be responsible for the quality and

competency of the services provided. **Please Also Note:** It remains the client's responsibility to promptly notify Federmann Financial if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Federmann Financial's previous recommendations and/or services.

TAX PREPARATION SERVICES

To the extent requested by the client, Federmann Financial *may* determine to provide tax preparation services on a stand-alone separate fee basis.

MISCELLANEOUS

Limitations of Financial Planning and Non-Investment Consulting/Implementation Services. As indicated above, to the extent requested by a client, we may provide financial planning and related consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. **Please Note:** We **do not** serve as an attorney or an insurance agency, and no portion of our services should be construed as legal services. Accordingly, we **do not** prepare estate planning documents or sell insurance products. To the extent requested by a client, we may recommend the services of other professionals for certain non-investment implementation purpose (i.e. attorneys, accountants, insurance, etc). Clients are reminded that they are 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 made by Federmann Financial or its representatives. **Please Note:** If the client engages any professional (i.e. attorney, accountant, insurance agent, etc.), recommended or otherwise, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from the engaged professional. At all times, the engaged licensed professional(s), and not Federmann Financial, shall be responsible for the quality and competency of the services provided.

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

Other Services. Federmann Financial also may render non-discretionary investment management services to clients relative to: (1) variable life/annuity products that they may own, and/or (2) their individual employer-sponsored retirement plans. In so doing, Federmann Financial either directs or recommends the allocation of client assets among

the various investment subdivisions that comprise the variable life/annuity product or the various mutual funds (and/or other investment options) available on the retirement plan platform. Federmann Financial's recommendations/decisions are limited to the investment options available under the variable life/annuity product or retirement plan platform. The client assets shall be maintained at either the specific insurance company that issued the variable life/annuity product which is owned by the client, or at the custodian designated by the sponsor of the client's retirement plan. When services are rendered on a non-discretionary basis, clients must be willing to accept that Federmann Financial cannot effect any account transactions without obtaining prior consent to any such transaction(s) from the client. Thus, in the event that Federmann Financial would like to make a transaction for a client's account, and client is unavailable, Federmann Financial will be unable to effect the account transaction (as it would for its discretionary clients) without first obtaining the client's consent.

eMoney Advisor Platform. Federmann Financial may provide its clients with access to an online platform hosted by "eMoney Advisor" ("eMoney"). The eMoney platform allows a client to view their complete asset allocation, including those assets that Federmann Financial does not manage (the "Excluded Assets"). Federmann Financial does not provide investment management, monitoring, or implementation services for the Excluded Assets. Unless otherwise specifically agreed to, in writing, Federmann Financial's service relative to the Excluded Assets is limited to reporting only. Therefore, Federmann Financial shall not be responsible for the investment performance of the Excluded Assets. Rather, the client and/or their advisor(s) that maintain management authority for the Excluded Assets, and not Federmann Financial, shall be exclusively responsible for such investment performance. Without limiting the above, Federmann Financial shall not be responsible for any implementation error (timing, trading, etc.) relative to the Excluded Assets. The client may choose to engage Federmann Financial to manage some or all of the Excluded Assets pursuant to the terms and conditions of an Investment Advisory Agreement between Federmann Financial and the client. The eMoney platform also provides access to other types of information and applications including financial planning concepts and functionality, which should not, in any manner whatsoever, be construed as services, advice, or recommendations provided by Federmann Financial. Finally, Federmann Financial shall not be held responsible for any adverse results a client may experience if the client engages in financial planning or other functions available on the eMoney platform without Federmann Financial's assistance or oversight.

Use of Mutual Funds: While Federmann Financial may recommend allocating investment assets to mutual funds that are not available directly to the public, Federmann Financial may also recommend that clients allocate investment assets to publicly-available mutual funds that the client could obtain without engaging Federmann Financial as an investment adviser. However, if a client or prospective client determines to allocate investment assets to publicly-available mutual funds without engaging Federmann Financial as an investment adviser, the client or prospective client would not receive the benefit of Federmann Financial's initial and ongoing investment advisory services. Other mutual funds, such as those issued by Dimensional Fund Advisors ("DFA"), are generally only available through registered investment advisers. Federmann Financial may allocate client investment assets to DFA mutual funds. Therefore, upon the termination of Federmann Financial's services to a client, restrictions regarding transferability and/or additional purchases of, or reallocation among DFA funds will apply. **Federmann Financial's Chief Compliance Officer, Lisa A Kelly, remains available to address any questions that a client or prospective client may have regarding the above.**

Fidelity. As discussed below at Item 12, Federmann Financial recommends that Fidelity serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as Fidelity charge brokerage commissions and/or transaction fees for effecting certain securities transactions. In addition to Federmann Financial's investment management fee and applicable brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses). The fees charged by Fidelity, as well as the charges imposed at the mutual fund and exchange traded fund level, are in addition to Federmann Financial's advisory fee referenced in Item 5 below.

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

Cash Positions. Depending upon perceived or anticipated market conditions/events (there being no guarantee that such anticipated market conditions/events will occur), Federmann Financial may maintain cash and cash equivalent positions (such as money market funds, etc.) for defensive and liquidity purposes. Unless otherwise agreed in writing, all such cash positions are included as part of assets under management for purposes of calculating Federmann Financial's advisory fee. **ANY QUESTIONS:** Federmann Financial's Chief Compliance Officer, Lisa A. Kelly, remains available to address any questions that a client or prospective may have regarding the above fee billing practice.

Client Obligations. In performing its services, Federmann Financial 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 Federmann Financial if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Federmann Financial's previous recommendations and/or services.

Disclosure Statement. A copy of Federmann Financial's written Brochure as set forth on Part 2A of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the *Wealth Management Agreement*.

- C. Federmann Financial shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, Federmann Financial shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at anytime, impose reasonable restrictions, in writing, on Federmann Financial's services.

- D. Federmann Financial does not participate in a wrap fee program.
- E. As of December 31, 2020, Federmann Financial had \$51,729,149 in assets under management on a discretionary basis.

Item 5 Fees and Compensation

A.

INVESTMENT ADVISORY SERVICES

Federmann Financial provides discretionary investment advisory services on a *fee-only* basis. Federmann Financial's negotiable annual investment advisory fee shall generally be based upon a percentage (%) of the market value and type of assets placed under Federmann Financial's management (between negotiable and 1.25%) as follows:

<u>Market Value of Portfolio</u>	<u>% of Assets</u>
Up to \$1,000,000	1.25%
\$1,000,001 - \$3,000,000	1.00%
Above \$3,000,000	Negotiable

Please Note: Federmann Financial, in its sole discretion, may charge a lesser investment advisory fee and/or charge a flat fee 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, prior fee schedules, competition, negotiations with client, etc.). **Please Also Note:** As result of the above, similarly situated clients could pay different fees. In addition, similar advisory services may be available from other investment advisers for similar or lower fees. **ANY QUESTIONS:** Federmann Financial's Chief Compliance Officer, Lisa A. Kelly, remains available to address any questions that a client or prospective client may have regarding advisory fees.

Please Also Note: As discussed in Item 7 below, Federmann Financial generally requires an annual minimum fee of \$2,500 for investment advisory services. If a client is accepted by Federmann Financial with less than \$200,000 in investment assets, and such client is subject to Federmann Financial's \$2,500 minimum annual fee, that client will pay a higher percentage annual fee than what is reflected in the fee schedule above.

FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)

To the extent specifically requested by a client, Federmann Financial *may* determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone fee basis. Federmann Financial's planning and consulting fees are negotiable, but generally range from \$2,500 to \$15,000 on a fixed fee basis, and from \$200 to \$275 on an hourly rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s). **Federmann Financial may, in its sole discretion, also charge financial planning and/or consulting services clients an initial consultation fee of \$500. If the client engages Federmann Financial to provide investment advisory services, Federmann Financial may offset all or a portion of its fees for financial planning and/or consulting services based upon the amount paid for investment advisory services.*

TAX PREPARATION SERVICES

To the extent requested by the client, Federmann Financial *may* determine to provide tax preparation services on a stand-alone basis at a current rate of \$200 per hour, subject to a minimum total fee of \$425.

- B. Clients may elect to have Federmann Financial's advisory fees deducted from their custodial account. Both Federmann Financial's *Wealth Management Agreement* and the custodial/ clearing agreement may authorize the custodian to debit the account for the amount of Federmann Financial's investment advisory fee and to directly remit that management fee to Federmann Financial in compliance with regulatory procedures. In the limited event that Federmann Financial bills the client directly, payment is due upon receipt of Federmann Financial's invoice. Federmann Financial shall deduct fees and/or bill clients quarterly in advance, based upon the market value of the assets on the last business day of the previous quarter.
- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, Federmann Financial shall generally recommend that Fidelity Investments ("*Fidelity*") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Fidelity* charge brokerage commissions and/or transaction fees for effecting certain securities transactions in accordance with its brokerage commission and transaction fee schedule. In addition to Federmann Financial's investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).
- D. Federmann Financial'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. Federmann Financial generally requires an annual minimum fee of \$2,500 for investment advisory services. Federmann Financial, in its sole discretion, may waive or reduce its minimum fee requirement based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

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

- E. Neither Federmann Financial, nor its representatives, accepts compensation from the sale of securities or other investment products.

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

Neither Federmann Financial nor any supervised person of Federmann Financial accepts performance-based fees.

Item 7 Types of Clients

Federmann Financial's clients shall generally include individuals, high net worth individuals, trusts and estates. Federmann Financial generally requires an annual minimum fee of \$2,500 for investment advisory services. Federmann Financial, in its sole discretion, may waive or reduce its minimum fee 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.). **Please Note:** Similar advisory services may be available from other investment advisers for similar or lower fees. **ANY QUESTIONS:** Federmann Financial's Chief Compliance Officer, Lisa A. Kelly, remains available to address any questions that a client may have regarding its advisory fee schedule.

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

A. Federmann Financial may utilize the following methods of security analysis:

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

Federmann Financial may utilize the following investment strategies when implementing investment advice given to clients:

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

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

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk may be caused by external factors independent of the fund's specific investments as well as due to the fund's specific investments. Additionally, each security's price will fluctuate based on market movement and emotion, which may, or may not be due to the security's operations or changes in its true value. For example, political, economic and social conditions may trigger market events which are temporarily negative, or temporarily positive.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.

- Reinvestment Risk: This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
 - Liquidity Risk: Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
 - Financial Risk: Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.
- B. Federmann Financial's methods of analysis and investment strategies do not present any significant or unusual risks. However, every method of analysis has its own inherent risks. To perform an accurate market analysis Federmann Financial must have access to current/new market information. Federmann Financial has no control over the dissemination rate of market information; therefore, unbeknownst to Federmann Financial, certain analyses may be compiled with outdated market information, severely limiting the value of Federmann Financial's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

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

- C. Currently, Federmann Financial primarily allocates client investment assets among various mutual funds and exchange traded funds, on a discretionary basis in accordance with the client's designated investment objective(s).

Risks associated with these asset types include:

1. Market Risk: The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk may be caused by external factors independent of the fund's specific investments as well as due to the fund's specific investments. Additionally, each security's price will fluctuate based on market movement and emotion, which may, or may not be due to the security's operations or changes in its true value. For example, political, economic and social conditions may trigger market events which are temporarily negative, or temporarily positive.

2. **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
3. **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
4. **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.
5. **Market Risk (Systematic Risk):** Even a long-term investment approach cannot guarantee a profit. Economic, political, and issuer-specific events will cause the value of securities to rise or fall. Because the value of your portfolio will fluctuate, there is a risk that you will lose money.
6. **Unsystematic Risk:** Unsystematic risk is the company-specific or industry-specific risk in a portfolio. The combination of systematic (market risk) and unsystematic risk is defined as the portfolio risk that the investor bears. While the investor can do little to reduce systematic risk, he or she can affect unsystematic risk. Unsystematic risk may be significantly reduced through diversification. However, even a portfolio of well-diversified assets cannot escape all risk.
7. **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. Rising inflation means that if you have \$1,000 and inflation rises 5 percent in a year, your \$1,000 has lost 5 percent of its value, as it cannot buy what it could buy a year previous.
8. **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.
9. **Regulatory Risk:** Changes in laws and regulations from any government can change the market value of companies subject to such regulations. Certain industries are more susceptible to government regulation. Changes in zoning, tax structure or laws impact the return on these investments.
10. **Risks Related to Investment Term:** 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 what we believe it is truly worth. 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.

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also

liable for taxes on any fund-level capital gains, as ETFs and mutual funds are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss. As such, a mutual fund or ETF client or investor may incur substantial tax liabilities even when the fund underperforms.

Shares of mutual funds are distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per-share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes in the market value of the fund's holdings. The trading prices of a mutual fund's shares can differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies can cause the shares to trade at a premium or discount to their pro-rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. While clients and investors may be able to sell their ETF shares on an exchange, ETFs generally only redeem shares directly from shareholders when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

Federmann Financial generally does not recommend or utilize closed-end funds in the management of client accounts. However, certain clients may acquire closed-end funds on their own or transfer existing positions in closed-end funds to Federmann Financial's management. Closed-end funds generally do not continually offer their shares for sale. Rather, they sell a fixed number of shares at one time, after which the shares typically trade on a secondary market, such as the New York Stock Exchange or the NASDAQ Stock Market. The specific risk factors related to closed-end funds vary depending upon the structure of each fund. Shares of closed-end funds frequently trade at a premium or discount relative to their net asset value ("NAV"). If shares of a closed-end fund were acquired at a discount to its NAV, there can be no assurance that the discount will decrease, and it is possible that the discount may increase and affect whether the client will realize a gain or loss on the investment. Many closed-end funds invest using borrowed money to seek higher returns. This triggers greater risk and could cause the share price to fluctuate accordingly, especially because the closed-end fund will also have to pay interest or dividends on its leverage, effectively reducing the return value. Many closed-end funds also choose to distribute a fixed percentage of net assets regardless of the fund's actual interest income and capital gains. Consequently, distributions by a closed-end fund may include a return of capital, which would reduce the fund's net asset value and its earnings capacity. Closed-end funds may invest in a greater amount of illiquid securities than open-end mutual funds. Investments in illiquid securities pose risks related to uncertainty in valuations, volatile market prices, and limitations on resale that may have an adverse effect on the ability of the fund to dispose of the securities promptly or at reasonable prices. Finally, closed-end funds carry liquidity risks, which exists when particular investments are difficult to purchase and sell, possibly preventing Federmann Financial from selling out of such illiquid securities at an advantageous price.

Item 9 Disciplinary Information

Federmann Financial has not been the subject of any disciplinary actions.

Item 10 Other Financial Industry Activities and Affiliations

- A. Neither Federmann Financial, 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 Federmann Financial, 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. **Certified Public Accountant.** Federmann Financial's Principal, Lisa A. Kelly, is a Certified Public Accountant. All tax preparation services rendered by Ms. Kelly are performed in her capacity as a representative of Federmann Financial. However, no client of Federmann Financial is under any obligation to use the tax preparation services of Federmann Financial. **Please Note:** Any recommendation by Federmann Financial and/or its representatives that a client utilize Federmann's Financial tax preparation services presents a conflict of interest, as Federmann Financial and/or its representatives have an economic incentive to make such recommendation based on the fees to be received, rather than a client's best interests.
- D. Federmann Financial does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

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

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

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

- B. Neither Federmann Financial nor any related person of Federmann Financial recommends, buys, or sells for client accounts, securities in which Federmann Financial or any related person of Federmann Financial has a material financial interest.
- C. Federmann Financial and/or representatives of Federmann Financial *may* buy or sell securities that are also recommended to clients. This practice may create a situation where Federmann Financial and/or representatives of Federmann Financial are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as "scalping" (i.e., a practice whereby

the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if Federmann Financial did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, “front-running” (i.e., personal trades executed prior to those of Federmann Financial’s clients) and other potentially abusive practices.

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

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

Item 12 Brokerage Practices

- A. In the event that the client requests that Federmann Financial recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct Federmann Financial to use a specific broker-dealer/custodian), Federmann Financial generally recommends that investment management accounts be maintained at *Fidelity*. Prior to engaging Federmann Financial to provide investment management services, the client will be required to enter into a formal *Wealth Management Agreement* with Federmann Financial setting forth the terms and conditions under which Federmann Financial shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that Federmann Financial considers in recommending *Fidelity* (or any other broker-dealer/custodian to clients) include historical relationship with Federmann Financial, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Federmann Financial's clients shall comply with Federmann Financial's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where Federmann Financial determines, in good faith, that the commission/transaction fee is reasonable. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer’s services, including the value of research provided, execution capability, commission rates, and

responsiveness. Accordingly, although Federmann Financial will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Federmann Financial's investment management fee. Federmann Financial's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

1. Non-Soft Dollar Research and Benefits

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Federmann Financial can receive from *Fidelity* (or another broker-dealer/custodian investment platform, and/or mutual fund sponsor) without cost (and/or at a discount) support services and/or products, certain of which assist Federmann Financial to better monitor and service client accounts maintained at such institutions. Included within the support services that can be obtained by Federmann Financial may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Federmann Financial in furtherance of its investment advisory business operations.

Certain of the above support services and/or products assist Federmann Financial in managing and administering client accounts. Others do not directly provide such assistance, but rather assist Federmann Financial to manage and further develop its business enterprise.

Federmann Financial's clients do not pay more for investment transactions effected and/or assets maintained at *Fidelity* as a result of this arrangement. There is no corresponding commitment made by Federmann Financial to *Fidelity* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

Federmann Financial's Chief Compliance Officer, Lisa A. Kelly, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding conflicts of interest such arrangement creates.

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

Please Note: In the event that the client directs Federmann Financial to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Federmann Financial. Higher transaction costs adversely impact account performance. **Please Also Note:** Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

Federmann Financial's Chief Compliance Officer, Lisa A. Kelly, remains available to address any questions that a client or prospective client may have regarding the above arrangement.

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

Item 13 Review of Accounts

- A. For those clients to whom Federmann Financial provides investment supervisory services, account reviews are conducted on an ongoing basis by Federmann Financial's Principals and/or representatives. All investment supervisory clients are advised that it remains their responsibility to advise Federmann Financial of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with Federmann Financial on an annual basis.
- B. Federmann Financial *may* conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. Federmann Financial also provides clients with written, quarterly reports that detail account holdings. Federmann Financial 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, Federmann Financial may receive an indirect economic benefit from *Fidelity*. Federmann Financial, without cost (and/or at a discount), may receive support services and/or products from *Fidelity*.

Federmann Financial's clients do not pay more for investment transactions effected and/or assets maintained at *Fidelity* as a result of this arrangement. There is no corresponding commitment made by Federmann Financial to *Fidelity* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

Federmann Financial's Chief Compliance Officer, Lisa A. Kelly, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding conflicts of interest any such arrangement creates.

- B. Federmann Financial does not compensate individuals or entities for prospective client introductions.

Item 15 Custody

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

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

Item 16 Investment Discretion

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

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

Item 17 Voting Client Securities

- A. Federmann Financial does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.
- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact Federmann Financial to discuss any questions they may have with a particular solicitation.

Item 18 Financial Information

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

ANY QUESTIONS: Federmann Financial's Chief Compliance Officer, Lisa A. Kelly, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.