

# Blue Bell Private Wealth Management, LLC

SEC File Number: 801 – 64005

**Form ADV Part 2A, Firm Brochure**  
**Dated: November 10, 2021**

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**This Brochure provides information about the qualifications and business practices of Blue Bell Private Wealth Management, LLC (“Blue Bell”). If you have any questions about the contents of this Brochure, please contact us at (610) 825-3540 or [Jcapetola@bluebellpwm.com](mailto:Jcapetola@bluebellpwm.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 Blue Bell Private Wealth Management, LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**References herein to Blue Bell Private Wealth Management, LLC 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 Blue Bell Private Wealth Management, LLC last filed its annual updating amendment on February 21, 2021, this Brochure has been materially revised at Items 4 and 5 to describe discretionary management over client retirement plan accounts and related fee practices.

Blue Bell’s Chief Compliance Officer, Justin Capetola, 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. Blue Bell is a limited liability company formed on March 29, 2005 in the Commonwealth of Pennsylvania. Blue Bell became registered as an investment adviser firm in April 2005. Blue Bell is principally owned by Jonathan Scott Miller, Sr. Jonathan Scott Miller, Sr., Justin Capetola, and Jonathan Scott Miller, Jr. are Blue Bell's Managing Members.
- B. As discussed below, Blue Bell offers investment advisory services to its clients (generally comprised of: individuals, high net worth individuals, pension and profit sharing plans, corporations, business entities, trusts, estates, and other investment advisers). Blue Bell does not provide financial planning services. However, to the extent that the client specifically requests, Blue Bell may provide limited consulting services. Blue Bell's investment strategy and its universe of investments may not be appropriate for all investors, and clients and prospective clients should consider whether Blue Bell is an appropriate choice for them.

### **INVESTMENT ADVISORY SERVICES**

Blue Bell provides discretionary and non-discretionary investment management services. Blue Bell relies primarily on its discussion with clients and a Confidential Investment Questionnaire to determine a client's investment profile, which dictates a client's investment strategy (discussed more fully below). It is important for clients to understand that they must provide Blue Bell with updated information about their financial situation and investment objectives so that Blue Bell can manage their account appropriately. While Blue Bell generally makes efforts to meet with each of its clients every year, and requests that clients update their Confidential Investment Questionnaire from time to time, Blue Bell will manage a client's account according to the client's current investment strategy. Clients and prospective clients should understand that if they do not update their Confidential Investment Questionnaire on a regular basis, or communicate with Blue Bell's employees, Blue Bell may provide advice that is no longer appropriate for the client.

Blue Bell's investment philosophy involves allocating client assets to three primary categories of investments—exchange traded funds (ETFs), closed-end funds (CEFs), and structured investments. Depending on the amount of assets in a client's account, and the client's age, financial resources and investment profile, we will manage a portfolio comprised of some or all of these investments.

Generally, accounts with less than \$15,000 will be invested entirely in ETFs and CEFs (the "Blue Bell Unhedged Strategy"). Accounts with between \$15,000 and \$100,000 will typically be invested in ETFs, CEFs, and structured investments, but will typically be invested at higher concentrations of ETFs than accounts with more than \$100,000 (the "Blue Bell Investment Strategy"). For accounts with more than \$100,000, we will manage a client's account according to the "Blue Bell Hedged Strategy", which typically includes an allocation to ETFs, CEFs and structured investments. Based on our perception of the markets, the Blue Bell Investment Strategy and the Blue Bell Hedged Strategy will use an overlay of covered call writing and potentially other options trading strategies. The Blue Bell Unhedged Strategy, Blue Bell Investment Strategy and the Blue Bell Hedged Strategy are not model portfolios, and each client account is managed according to the client's strategy.



Unless a client notifies us in writing to the contrary, a client's account will automatically be placed in the strategy that corresponds to the amount of assets that they place under Blue Bell's management. Blue Bell may change a client's strategy using its discretion. For example, Blue Bell might do so after the value of the client's accounts exceeds their current strategy. In addition, Blue Bell may change the client's strategy after consultation with the client regarding changed investment objectives.

In any event, accounts with more than \$15,000 may vary in their percentage of holdings of ETFs, CEFs, and structured investments due to numerous factors, including but not limited to:

- a client's investment profile,
- market events and our perception of the strength and value of ETFs, CEFs, and structured investments, and
- the "ladder" creation process for structured investments. Blue Bell makes investments in structured notes on a ladder basis, and therefore, it takes time to reach a targeted asset allocation. As a result, other asset classes (i.e., ETFs and CEFs) will have proportionally higher allocations.

As discussed above, and when deemed appropriate, the Blue Bell Investment Strategy and the Blue Bell Hedged Strategy will engage in covered call writing and potentially other options trading strategies. Each of these types of investments and their risks are discussed in greater detail in Item 8 below.

Blue Bell makes investments (or recommend that the client make investments) that are consistent with the client's current investment strategy and investment profile. Blue Bell also assigns each client an internal risk score that takes into consideration the client's investment objectives and its perception of all the client's household's accounts that we manage. We use this risk score to guide our management of their accounts. Blue Bell manages clients' accounts on an ongoing basis by purchasing and selling investments as needed to keep a client's account consistent with the client's risk score and the account's strategy.

A CEF is a type of registered, pooled investment fund. CEF's have a fixed number of shares that are traded on a stock exchange throughout the day. Because CEFs trade on exchanges (as opposed to being redeemed directly through the issuer at the close of business), they can trade at a discount to their net asset value. Blue Bell generally seeks to purchase CEFs that are trading at a discount (i.e., when their trading price is less than their net asset value.) While CEFs have a wide array of investment strategies, Blue Bell seeks to invest in high quality, diversified CEFs.

With respect to structured investments, Blue Bell typically recommends and selects structured notes or similar vehicles, which are financial instruments that combine two elements: a debt security and exposure to an underlying asset or assets. These instruments are similar to notes in that they carry counter-party risk of the issuer. However, the return on these instruments are linked to the return of an underlying asset or assets (such as the S&P 500 Index or commodities). It is this latter feature that makes these instruments unique, as Blue Bell believes that the payout can be used to provide some degree of principal protection, leveraged returns (but usually with some ceiling on the maximum return), and be tailored to a specific market or economic view. In addition, investors may receive long-term capital gains tax treatment if certain underlying conditions are met and



the investment is held for more than one year. Blue Bell does not view these investments as an alternative to traditional fixed income. For investors in the Blue Bell Investment Strategy and the Blue Bell Hedged Strategy, Blue Bell will create a ladder of these investments in client accounts with different maturity dates to provide reinvestment opportunities.

As a general matter, Blue Bell generally recommends that its clients complete and submit options trading and margin authorizations for their accounts with the custodian. If a client wants to restrict or prohibit Blue Bell from trading options in their account, then they should notify our Chief Compliance Officer at the email address listed on the cover page of this Brochure.

Not all investment advisers share the same investment philosophy as Blue Bell and Blue Bell believes this is what sets it apart from other investment advisers. The Blue Bell Investment Strategy and the Blue Bell Hedged Strategy can be tailored to meet a client's goals of preserving wealth, producing income, or growing wealth, but generally a client in these strategies will invest using ETFs, CEFs and structured notes and similar investment vehicles, regardless of their investment profile and their account strategy. Blue Bell generally recommends a current asset allocation that is more concentrated in structured notes or similar investment vehicles that seek to preserve their wealth or produce income and more tilted towards ETFs and CEFs for clients that are seeking to grow their wealth. However, a current asset allocation cannot guarantee that a client will reach their investment objectives or financial goals. Clients are responsible for notifying Blue Bell of any changes in their investment objectives or financial situation so that Blue Bell can revisit the client's investment profile, current asset allocation, and their investment strategy, and make modifications, as needed.

#### **RETIREMENT PLAN PARTICIPANT DISCRETIONARY ACCOUNT MANAGEMENT**

Blue Bell uses a third-party platform to facilitate discretionary management of held away assets such as defined contribution plan participant accounts. The platform allows Blue Bell to avoid being considered to have custody of client funds since the firm does not have direct access to client log-in credentials to affect trades. Blue Bell is not affiliated with the platform in any way and receives no compensation for using their platform. A link will be provided to the client allowing them to connect an account(s) to the platform. Once the client account(s) is connected to the platform, Blue Bell will review the current account allocations. When deemed necessary, Blue Bell will rebalance the account considering client investment goals and risk tolerance, and any change in allocations will consider current economic and market trends. The goal is to improve account performance over time, minimize loss during difficult markets, and manage internal fees that harm account performance. Client account(s) will be reviewed at least quarterly and allocation changes will be made as deemed necessary. When providing this service, Blue Bell will be limited to the investment alternatives provided by the retirement plan. Blue Bell will not have, nor will it accept, any authority to engage in any other type of transactions or changes to the client's plan account, including but not limited to changing beneficiaries or effecting account disbursements or transfers to any individual or entity.

#### **CONSULTING SERVICES**



Blue Bell also offers other various consulting services (i.e. estate consulting and settlement, etc.) Blue Bell will provide consulting services in this manner on a fixed fee or hourly basis open to reasonable negotiations with the client.

## **MISCELLANEOUS**

**Limitations Non-Investment Consulting/Implementation Services.** If specifically requested by the client, Blue Bell may provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Blue Bell does not serve as a law firm, accounting firm, or insurance agency, and no portion of its services should be construed as legal, accounting, or insurance implementation services. Accordingly, Blue Bell does not prepare estate planning documents, tax returns or sell insurance products. To the extent requested by a client, Blue Bell may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.). 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 Blue Bell. If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional.

**Non-Discretionary Service Limitations.** Clients that determine to engage Blue Bell on a non-discretionary investment advisory basis must be willing to accept that Blue Bell cannot effect any account transactions without obtaining prior consent to such transaction(s) from the client. Thus, in the event that Blue Bell 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, Blue Bell will be unable to effect the account transaction(s) (as it would for its discretionary clients) without first obtaining the client's consent.

**Sub-Advisory Engagements.** Blue Bell may also serve as a sub-adviser to unaffiliated registered investment advisers per the terms and conditions of a written Sub-Advisory Agreement. With respect to its sub-advisory services, the unaffiliated investment advisers that engage Blue Bell to provide sub-advisory services maintain the initial and ongoing relationship with the underlying client, including the initial and ongoing determination of suitability. Generally, Schwab will serve as the custodian for all sub-advised accounts. The other adviser (and not Blue Bell) is responsible for negotiating custody charges and commission rates for their clients' accounts. As a result, the underlying client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account.

**eMoney Advisor Platform.** Blue Bell 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 Blue Bell does not manage (the "Excluded Assets"). Blue Bell does not provide investment management, monitoring, or implementation services for the Excluded Assets. Therefore, Blue Bell 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 Blue Bell, shall be exclusively responsible for such investment performance. The client may choose to engage Blue Bell to manage some or all of the Excluded Assets pursuant to the terms and conditions of an Investment Advisory Agreement between Blue Bell 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 Blue Bell. Finally, Blue Bell 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 Blue Bell's assistance or oversight.

**Retirement Plan Rollovers.** 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 Blue Bell recommends that a client roll over their retirement plan assets into an account to be managed by Blue Bell, such a recommendation creates a conflict of interest if Blue Bell will earn an advisory fee on the rolled over assets. No client is under any obligation to roll over plan assets to an IRA managed by Blue Bell or to engage Blue Bell to monitor and/or manage the account while maintained at the client's employer. Blue Bell's Chief Compliance Officer, Justin Capetola, remains available to address any questions that a client or prospective client may have regarding its prospective engagement and the corresponding conflict of interest presented by such engagement.

**Cross Transactions.** In certain circumstances, Blue Bell may arrange for cross-transactions between two of its managed client accounts (i.e., arranging for a purchase and sale of a specific security between two client accounts). Blue Bell will typically only cross transactions for securities that are not publicly traded or that are not redeemable directly from the issuer at net asset value. When engaging in cross transactions, neither Blue Bell nor any related person will receive any commission or transaction-based compensation. Blue Bell does not generally allow employees or their family members to participate in cross transactions. Blue Bell reviews all cross transactions to determine that they are in the best interest of both clients. Clients may revoke Blue Bell's cross-transaction authority at any time upon written notice to Blue Bell.

**Cash Positions.** At any specific point in time, depending upon perceived or anticipated market conditions/events (there being no guarantee that such anticipated market conditions/events will occur), Blue Bell may maintain cash positions for defensive or tactical purposes. All cash and cash equivalents are included as part of assets under management in calculating Blue Bell's advisory fee.

- C. Blue Bell provides investment advisory services based on the account's strategy and the client's investment profile as described in greater detail in Item 4.B. Clients may impose restrictions on investing in certain securities (e.g., a specific ETF or CEF) or types of securities (e.g., CEFs and options in general). Clients imposing restrictions must make their requests in writing or as part of their initial onboarding discussions with Blue Bell, and Blue Bell will confirm with the client whether it accepts the client's request.
- D. Blue Bell does not participate in a wrap fee program.
- E. As of December 31, 2020, Blue Bell had \$475,567,832 in assets under management on a discretionary basis and \$42,155,414 in assets under management on a non-discretionary basis.



## **Item 5 Fees and Compensation**

A.

### **INVESTMENT ADVISORY SERVICES**

Blue Bell's annual investment advisory fee is negotiable and varies from client to client. However, it does not exceed an annual rate of 2.00% of the total assets placed under Blue Bell's management. Blue Bell bases its proposed fee rates on various objective and subjective factors, including, but not limited to, the amount and type of the assets placed under Blue Bell's management, the level and scope of consulting services to be rendered, and the complexity of the engagement.

### **RETIREMENT PLAN PARTICIPANT DISCRETIONARY ACCOUNT MANAGEMENT**

Blue Bell's annual fee for discretionary retirement plan account management is negotiable and varies from client to client. However, it does not exceed an annual rate of 1.00% of the client's retirement plan assets placed under Blue Bell's management. Blue Bell bases its proposed fee rates on various objective and subjective factors, including, but not limited to, the amount and type of the assets placed under Blue Bell's management, the level and scope of consulting services to be rendered, and the complexity of the engagement.

### **CONSULTING SERVICES**

Blue Bell also offers other various consulting services (i.e. estate consulting and settlement, etc.) on a fixed fee or hourly basis. The fee is open to reasonable negotiation with the client, which also depends upon the level and scope of service required and the professional rendering the service. Blue Bell's fees for such consulting services typically range between \$250 and \$2,500 on a fixed fee basis and \$100 - \$500 on an hourly basis.

- B. Clients may elect to have Blue Bell's advisory fees deducted from their custodial account. Both Blue Bell's Investment Advisory Agreement and the custodial/ clearing agreement may authorize the custodian to debit the account for the amount of Blue Bell's investment advisory fee and to directly remit that management fee to Blue Bell in compliance with regulatory procedures. With respect to Retirement Plan Participant Discretionary Account Management, Blue Bell will be unable to directly debit its fee from the client's retirement plan account, but may debit its fee from a different account under Blue Bell's management, with the client's authorization. Blue Bell may also invoice clients directly, in which case, payment is due upon receipt of Blue Bell's invoice. Blue Bell shall deduct fees and/or bill clients quarterly in arrears, 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, Blue Bell shall generally require that Charles Schwab & Co., Inc. ("Schwab") serve as the broker-dealer/custodian for client accounts. Broker-dealers such as Schwab charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). However, Schwab no longer charges on transactions in U.S. equities and ETFs. Clients will also bear their proportionate share of ETF and CEF fees that are charged by those funds (e.g., management fees and other fund expenses). These fees and expenses are outlined in the fund's prospectus and statement of additional information, which clients will receive directly from the fund.



**Tradeaway/Prime Broker Fees.** Relative to its discretionary investment management services, when beneficial to the client, individual fixed income transactions may be effected through broker-dealers other than the account custodian, in which event, the client generally will incur both the fee (commission, mark-up/mark-down) charged by the executing broker-dealer and a separate “trade away” and/or prime broker fee charged by the account custodian (Schwab).

- D. Blue Bell’s annual investment advisory fee shall be pro-rated and paid quarterly, in arrears, based upon the market value of the assets on the last business day of the previous quarter. For the initial quarter of investment management services, the first quarter’s fees shall be calculated on a pro rata basis. Blue Bell makes adjustments for withdrawals and contributions that occur during the previous quarter and relies on the market value of the assets on the last business day of the previous quarter. For example, if a client withdraws assets midway through a calendar quarter, Blue Bell will calculate the client’s advisory fee at the end of the quarter and charge the client a pro rata portion of its advisory fee on the withdrawn amount. Blue Bell does not generally require an annual minimum fee or asset level for investment advisory services. However, Blue Bell, in its sole discretion, may reduce or waive a client or prospective client’s fee.

The Investment Advisory Agreement between Blue Bell and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the Investment Advisory Agreement. Upon termination, Blue Bell shall debit the account for the pro-rated portion of the unpaid advisory fee based upon the number of days that services were provided during the billing quarter.

- E. Neither Blue Bell, nor its representatives accept compensation from the sale of securities or other investment products.

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

Neither Blue Bell nor any supervised person of Blue Bell accepts performance-based fees.

## **Item 7            Types of Clients**

Blue Bell’s clients shall generally include individuals, high net worth individuals, pension and profit sharing plans, corporations, business entities, trusts, estates, and other investment advisers.

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

- A. Blue Bell typically uses either fundamental or cyclical analysis or a combination of both in analyzing securities. Fundamental analysis involves the study of historical and present data, with the goal of making financial forecasts. Cyclical analysis involves the study of historical relationships between price and market trends to forecast the direction of prices.

Blue Bell believes strongly in uncovering hidden value, and as such, takes a unique approach to wealth management and wealth preservation. Blue Bell has three primary



investment strategies that it implements in rendering investment advice, although the Blue Bell Investment Strategy and the Blue Bell Hedged Strategy are very similar. Clients and prospective clients are reminded that they are responsible for determining whether these strategies are appropriate for their investment objectives and financial needs, but Blue Bell can tailor its investment strategy to fit a wide array of investment objectives and financial needs.

As described in greater detail in Item 4.B, Blue Bell's investment strategies involves three primary categories of investments—ETFs, CEFs, and structured investments. Depending on the amount of assets placed under Blue Bell's management and their corresponding investment strategy, we will recommend or manage a portfolio comprised of some or all of these investments. In certain instances, Blue Bell will engage in covered call writing and potentially other options trading strategies. Each of these types of investments and their risks are discussed in greater detail below.

Blue Bell will make investments (or recommend that the client make investments) that are consistent with the client's investment strategy. Because Blue Bell makes investments in structured notes on a laddered basis, it will take time for the current asset allocation to be reached and other asset classes (i.e., ETFs and CEFs) may have proportionally higher allocations initially and at other times.

Blue Bell manages clients' accounts on an ongoing basis by purchasing and selling investments as needed to keep a client's account consistent with the client's investment strategy.

The primary factor considered by Blue Bell in conducting due diligence on structure investment issuers is their financial stability. In general, Blue Bell's universe of structured investment issuers is limited to extremely large and historically reputable financial institutions, although Blue Bell is free to consider the entire universe of issuers.

Blue Bell may purchase and sell ETFs and CEFs for periods less than one year or greater than one year, and Blue Bell typically recommends that clients hold structured investments until maturity.

**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 will be profitable or equal any specific performance level.

- B. Blue Bell's methods of analysis do not present any significant or unusual risks. However, every method of analysis has its own inherent risks. To perform an accurate market analysis Blue Bell must have access to current/new market information. Blue Bell has no control over the dissemination rate of market information; therefore, unbeknownst to Blue Bell, certain analyses may be compiled with outdated market information, severely limiting the value of Blue Bell'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.



Blue Bell's investment strategies on the other hand has material risks, much like all forms of investing. The below risks apply to Blue Bell's investment strategy.

**Asset Allocation Risk.** The risk that an account's assets may be out of balance with the current asset allocation. Any rebalancing of such assets may be infrequent and, even if achieved, may have an adverse effect on the performance of a client's account.

**Interest Rate Risk.** Interest rates may fluctuate significantly, causing price volatility with respect to securities or instruments held by a client's account.

**Liquidity Risk.** The risk that a client's account may not be able to monetize investments and may have to hold to maturity or may only be able to obtain a lower price for investments either because those investments have become less liquid or illiquid in response to market developments including adverse investor perceptions. This includes, CEFs and structured investments, which are two major types of securities recommended by Blue Bell.

**Market/Volatility Risk.** The risk that the value of the assets in which an account invests may decrease (potentially dramatically) in response to the prospects of individual companies, particular industry sectors or governments, changes in interest rates and national and international political and economic events due to increasingly interconnected global economies and financial markets.

- C. In addition to the general risks associated with Blue Bell's investment strategy, its investment strategies involves three primary categories of investments—ETFs, CEFs, and structured investments. In certain instances, Blue Bell will engage in covered call writing and potentially other options trading strategies. Each of these securities have material risks, which are described in greater detail below. This list is not an exhaustive list of risks and clients should review the entire prospectus or offering document for an investment for a more detailed description of each risk associated with their investment.

**Closed End Fund and Exchange Traded Fund Risk.** ETFs and CEFs are subject to investment advisory fees and other expenses, which will be paid by the fund and indirectly borne by all shareholders. ETFs and some CEFs are listed on national stock exchanges and are traded like stocks listed on an exchange. ETF and CEFs shares may trade at a discount to or a premium above net asset value if there is a limited market in such shares. ETFs and CEFs are also subject to brokerage and other trading costs, which result in indirect expenses for an investor. Additional risks of investing in ETFs and CEFs are described below:

- *Net Asset Value and Market Price Risk.* The market value of ETF shares and CEFs may differ from their net asset value. This difference in price may be due to the fact that the supply and demand in the market at any point in time is not always identical to the supply and demand in the market for the underlying basket of securities. Accordingly, there may be times when shares trade at a premium or discount to its net asset value.
- *Strategy Risk.* Each ETF or CEF is subject to specific risks, depending on the nature of the fund. These risks could include liquidity risk, sector risk, foreign and emerging market risk, as well as risks associated with real estate investments and commodities.



- *Tracking Risk.* ETFs may fail to accurately track the market segment or index that underlies their investment objective.

**Structured Investment Risk.** Structured investments are subject to numerous risks, which are described in greater detail below.

- *Principal Risk.* Unlike ordinary debt securities, structured investments do not pay interest and do not guarantee any return of principal at maturity unless specifically provided in notes that are designed with this purpose in mind. Most structured note payments are based on the performance of an underlying index (i.e., S&P 500) and if the underlying index were to decline 100% then the payment may result in a loss of all principal.
- *Call Risk.* Some structured investments are callable by the issuer, meaning the issuer (not the investor) can choose to call in the investment and redeem them before maturity.
- *Issuer Risk.* Because any structured investment that may be issued by an issuer (e.g., JP Morgan, Goldman Sachs, Credit Suisse) would be its senior unsecured obligations, payment of any amount at maturity is subject to an issuer's ability to pay its obligations as they become due.
- *Limited Return Risk.* The maximum potential payment on a structured investment will be limited to the redemption amount applicable for a payment date, as disclosed, regardless of the appreciation in the underlying index, which may be significant. Because the level of the underlying index at various times during the term of the notes could be higher than on the valuation dates and at maturity, you may receive a lower payment if redeemed early or at maturity, as the case may be, than you would have if you had invested directly in the underlying index.
- *Liquidity Risk.* The structured investments purchased will not be listed on any securities exchange. There will likely be no secondary market for such securities, and the issuer is not required to re-purchase these securities in the secondary market.
- *Uninsured Risk.* Structured investments are not deposit liabilities of a bank and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency or program of the United States or any other jurisdiction. An investment is subject to the credit risk of the issuer, and in the event that the issuer is unable to pay its obligations as they become due, you may not receive the full payment at maturity of the notes. These products are not guaranteed under the Federal Deposit Insurance Corporation's Temporary Liquidity Guarantee Program.
- *Tax Characterization Risk.* These investments are structured in most cases to have the gains treated as long-term capital gains. This long-term capital gains treatment depends on investor capital being at risk. The risk that the investment would be re-characterized as debt instruments giving rise to ordinary income, rather than as an open transaction, is higher whenever the risk of loss is reduced with principal "guarantees" or "downside protection." If the notes are treated as debt, they would



be accounted for under the contingent payment debt instrument rules. These rules require investors to accrue taxable income each year, even though investors will not receive any cash with respect to the notes prior to maturity. Furthermore, any gain recognized upon sale or other disposition of the notes would generally be treated as ordinary income. If the notes are treated as an open transaction, investors should not be required to recognize taxable income over the term of the notes prior to maturity. Upon a sale or exchange of a note (including redemption of the notes at maturity), investors should recognize capital gain or loss equal to the difference between the amount realized and the investor's tax basis in the note, which should equal the amount paid for the note. If the investor held the note for at least one year and one day, the gain or loss will be capital. Alternative treatments could also treat all or a portion of the gain or loss on sale or settlement as short term gain or loss, regardless of the length of time an investor has held the notes. Please consult your tax professional.

**Options Risk.** Option transactions establish a contract between two parties concerning the buying or selling of an asset at a predetermined price during a specific period of time. During the term of the option contract, the buyer of the option gains the right to demand fulfillment by the seller. Fulfillment may take the form of either selling or purchasing a security depending upon the nature of the option contract. Generally, the purchase or the recommendation to purchase an option contract by Blue Bell shall be with the intent of offsetting or "hedging" a potential market risk in a client's portfolio. In particular, Blue Bell often engages in "covered call writing," which is the sale of in-, at-, or out-of- the money call option against a long security position held in a client portfolio. This type of transaction is intended to generate income. It also serves to create downside protection in the event the security position declines in value. Income is received from the proceeds of the option sale. Such income may be reduced to the extent it is necessary to buy back the option position prior to its expiration. This strategy may involve a degree of trading velocity, transaction costs and significant losses if the underlying security has volatile price movement. Covered call strategies are generally suited for companies with little price volatility.

Although the intent of the options-related transactions that may be implemented by Blue Bell is to hedge against principal risk, certain of the options-related strategies (i.e. straddles or short positions), may, in and of themselves, produce principal volatility and/or risk. Thus, a client must be willing to accept these enhanced volatility and principal risks associated with such strategies. In light of these enhanced risks, client may direct Blue Bell, in writing, not to employ any or all such strategies for their accounts. For detailed information on the use of options and option strategies, please refer to the Option Clearing Corp.'s Option Disclosure Document, which can be found at <http://www.optionsclearing.com/components/docs/riskstoc.pdf>. Hard copies may be ordered by calling 1-888-678-4667 or writing OCC, 1 North Wacker Drive, Suite 500 Chicago, IL 60606.

## **Item 9            Disciplinary Information**

Blue Bell has not been the subject of any disciplinary actions.



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

- A. Neither Blue Bell, 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 Blue Bell, 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. Blue Bell has no other relationship or arrangement with a related person that is material to its advisory business.
- D. Blue Bell 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. Blue Bell maintains an investment policy relative to personal securities transactions. This investment policy is part of Blue Bell's overall Code of Ethics, which serves to establish a standard of business conduct for all of Blue Bell's Associated Persons 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, Blue Bell also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by Blue Bell or any person associated with Blue Bell.

- B. Neither Blue Bell nor any related person of Blue Bell recommends, buys, or sells for client accounts, securities in which Blue Bell or any related person of Blue Bell has a material financial interest.
- C. Blue Bell and/or representatives of Blue Bell may buy or sell securities that are also recommended to clients. This practice may create a situation where Blue Bell and/or representatives of Blue Bell are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if Blue Bell 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 Blue Bell's clients) and other potentially abusive practices.

Blue Bell has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of Blue Bell's "Access Persons". Blue Bell's securities transaction policy requires that an Access Person of Blue Bell must provide the Chief Compliance Officer or a 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 a 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 Blue Bell selects.

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

## **Item 12      Brokerage Practices**

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

Factors that Blue Bell considers in recommending Schwab (or any other broker-dealer/custodian to clients) include historical relationship with Blue Bell, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Blue Bell's clients shall comply with Blue Bell's duty to seek best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where Blue Bell determines, in good faith, that the commission/transaction fee is reasonable in relation to the value of the brokerage and research services received. 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 Blue Bell 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, Blue Bell's investment management fee.

- 1. Non-Soft Dollar Research and Support Benefits

Blue Bell receives from Schwab (and potentially other broker-dealers, custodians, investment platforms, unaffiliated investment managers, vendors, or fund sponsors) free or discounted support services and products. Blue Bell may also purchase other services or products from Schwab at full price. Certain of these products and services assist Blue Bell to better monitor and service client accounts maintained at these institutions. The support services that Blue Bell obtains can include investment-related research; pricing information and market data; compliance or practice management-related publications; discounted or free attendance at conferences, educational or social events; or other products used by Blue Bell to further its investment management business operations.



Certain of the support services or products received may assist Blue Bell in managing and administering client accounts. Others do not directly provide this assistance, but rather assist Blue Bell to manage and further develop its business enterprise.

Blue Bell's clients do not pay more for investment transactions effected or assets maintained at Schwab or other broker-dealers and custodians because of these arrangements. There is no corresponding commitment made by Blue Bell to any broker-dealer or custodian or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products because of the above arrangements.

Blue Bell's Chief Compliance Officer, Justin Capetola, remains available to address any questions that a client or prospective client may have regarding the above arrangement and the conflict of interests this arrangement creates.

2. Blue Bell does not receive referrals from broker-dealers.
3. Directed Brokerage. Blue Bell 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 Blue Bell 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 Blue Bell. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

In the event that the client directs Blue Bell 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 Blue Bell. Higher transaction costs adversely impact account performance. Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

Blue Bell's Chief Compliance Officer, Justin Capetola, remains available to address any questions that a client or prospective client may have regarding the above arrangement.

- B. To the extent that Blue Bell provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless Blue Bell decides to purchase or sell the same securities for several clients at approximately the same time. Blue Bell 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 Blue Bell'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. Blue Bell shall not receive any additional compensation or remuneration as a result of such aggregation. Blue Bell generally purchases structured



investments on an aggregate basis and does so typically when a current structured investment held by its clients has come due or is about to come to maturity.

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

- A. For those clients to whom Blue Bell provides Investment Advisory Services, account reviews are conducted on a periodic basis by Blue Bell's Managing Members. As part of these reviews, Blue Bell reviews the client's current investment strategy to ensure it is consistent with their current portfolio.

All Investment Advisory Services and consulting clients are encouraged to discuss with Blue Bell their investment objectives needs and goals and to keep Blue Bell informed of any changes. All clients are encouraged to meet, at least annually, with Blue Bell to review their responses to the Confidential Investment Questionnaire and discuss their current investment objectives.

- B. Blue Bell may conduct account reviews on other than a 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 with transaction confirmation notices and regular summary account statements directly from the broker-dealer/custodian for the client accounts. Those clients to whom Blue Bell provides Investment Advisory Services will also receive a quarterly report from Blue Bell summarizing account positions and valuations.

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

- A. As referenced in Item 12.1 above, Blue Bell receives certain economic benefits from Schwab.
- B. Blue Bell has entered into an agreement with a third party to introduce clients to Blue Bell. Any referral fee is paid solely from Blue Bell's investment management fee and will not result in any additional charge to the client. If you are introduced by someone who is not affiliated with Blue Bell, you will receive a disclosure from them describing the arrangement and the compensation they stand to receive. Generally, Blue Bell will agree to compensate that person a percentage of the referred client's fee.

### **Item 15          Custody**

Blue Bell has the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer/custodian for the client accounts. Those clients to whom Blue Bell provides Investment Advisory Services will also receive a quarterly report from Blue Bell summarizing account positions and valuations.

To the extent that Blue Bell provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by Blue Bell with the



account statements received from the account custodian. The account custodian does not verify the accuracy of Blue Bell's advisory fee calculation.

## **Item 16 Investment Discretion**

The client can determine to engage Blue Bell to provide Investment Advisory Services on a discretionary basis. Prior to Blue Bell assuming discretionary authority over a client's account, the client shall be required to execute Investment Advisory Agreement granting Blue Bell 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 Blue Bell on a discretionary basis may, at any time, impose restrictions, in writing, on Blue Bell's discretionary authority, which is described in greater detail in Item 4.C.

## **Item 17 Voting Client Securities**

In accordance with its fiduciary duty to clients and Rule 206(4)-6 of the Investment Advisers Act, Blue Bell has adopted and implemented written policies and procedures governing the voting of client securities. All proxies that Blue Bell receives will be treated in accordance with these policies and procedures.

Blue Bell has engaged the services of Broadridge's ProxyEdge platform to vote and maintain records of all proxies.

Blue Bell complete proxy voting policy, procedures, and those of its proxy voting service providers, are available for client review. In addition, our complete proxy voting record is available to our clients, and only to our clients.

In addition, Blue Bell has also contracted with Broadridge as provider to file Class Actions "Proof of Claim" forms.

Occasionally, securities held in the accounts of clients will be the subject of class action lawsuits. Blue Bell has retained the services of Broadridge to provide a comprehensive review of our clients' possible claims to a settlement throughout the class action lawsuit process. Broadridge actively seeks out any open and eligible class action lawsuits. Additionally, Broadridge files, monitors and expedites the distribution of settlement proceeds in compliance with SEC guidelines on behalf of our clients.

Broadridge and Blue Bell have also entered into an agreement where Broadridge will, on behalf of clients, seek to recover assets as part of global securities class action lawsuits, bankruptcies and disgorgements on securities owned by clients. Clients are also obligated to pay Broadridge a contingency fee of 20% of the total reimbursement of asset settlements collected by Broadridge for partaking in this service. Clients agree to this in Blue Bell's investment advisory agreement.

Clients should contact Justin Capetola at the phone number on the front of this document if they have any questions or if they would like to review any of these documents. In addition, information pertaining to how Blue Bell voted on any specific proxy issue is also



available upon written request. Requests should be made by contacting Blue Bell's Chief Compliance Officer, Justin Capetola.

**Item 18      Financial Information**

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

**ANY QUESTIONS: Blue Bell's Chief Compliance Officer, Justin Capetola, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**