

# Piermont Wealth Management Inc.

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ADV Part 2A, Brochure

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This Brochure provides information about the qualifications and business practices of Piermont Wealth Management Inc. (the “Registrant”). If you have any questions about the contents of this Brochure, please contact us at 631-454-1585 or [pcapell@piermontwealth.com](mailto:pcapell@piermontwealth.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 Piermont Wealth Management Inc. also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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

## **Item 2           Material Changes**

There have been no material changes to this ADV Part 2A Brochure since the March 24, 2022 annual update filing.

Piermont Wealth Management Inc.'s Chief Compliance Officer, Philip J. Capell, remains available to address any questions about this Brochure.

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#### **Item 4            Advisory Business**

- A. Piermont Wealth Management Inc. (the “Registrant”) is a New York corporation formed in October 2000. The Registrant became registered as an investment adviser in June 2002. Philip J. Capell is the Registrant’s controlling owner, President and Chief Compliance Officer.
- B. As discussed below, the Registrant offers to provide investment advisory services, and, to the extent specifically requested by a client, financial planning and related consulting services.

##### **INVESTMENT ADVISORY SERVICES**

The client can determine to engage the Registrant to provide discretionary investment advisory services on a *fee-only* basis. The Registrant’s annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under the Registrant’s management. Before engaging the Registrant to provide investment advisory services, clients are required to enter into an Investment Advisory Agreement with Registrant setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the fee that is due from the client.

To begin the investment advisory process, an investment adviser representative will coordinate with each client to develop investment objectives. Then, the Registrant will allocate and/or recommend that the client allocate investment assets consistent with the designated investment objectives. Once allocated, the Registrant provides ongoing monitoring and review of account performance and asset allocation as compared to client investment objectives and may execute account transactions based upon those reviews or upon other triggering events.

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

To the extent specifically requested by a client, the Registrant may agree to provide financial planning and/or consulting services (including investment and non-investment related matters) on a stand-alone separate fixed fee basis. Registrant’s planning and consulting fees are negotiable depending upon the level and scope of the services required and the professional rendering the services. Before engaging the Registrant to provide planning or consulting services, clients are generally required to enter into a Financial Planning and Consulting Agreement with Registrant setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client before Registrant begins to provide services. If requested by the client, Registrant may recommend the services of other professionals for implementation purposes, including the Registrant’s President in his separate capacity as a licensed attorney discussed in Item 10.C. below. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant.

## MISCELLANEOUS

Limitations of Non-Investment Consulting/Implementation Services. To the extent requested by the client, the Registrant may provide financial planning or consulting services regarding investment or non-investment related matters such as tax planning or insurance planning. Neither the Registrant, nor any of its representatives, serves as an accountant, or licensed insurance agent, and no portion of the Registrant's services should be construed as accounting, tax, legal, or insurance implementation services. Unless specifically agreed in writing, neither Registrant nor its representatives are responsible to: implement any financial plans or financial planning advice; provide ongoing financial planning services; or provide ongoing monitoring of financial plans or financial planning advice. The client is solely responsible to revisit the financial plan or financial planning advice with Registrant, if desired. Registrant's financial planning and consulting services are completed upon communicating its recommendations to the client, upon delivery of the written financial plan, or upon termination of the applicable agreement. To the extent requested by a client, the Registrant may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.), including Registrant's President in his separate capacity as a licensed attorney to provide estate planning or estate administration services through Philip J. Capell, P.C. as discussed in Item 10.C. below. The recommendation that clients engage Philip J. Capell, P.C. presents a conflict of interest, as the receipt of legal fees may provide an incentive to recommend legal services, rather than a particular client's need. Clients are under no obligation to engage the services of any recommended professional, who shall be solely responsible for the quality and competency of the services they provide. If the client engages any unaffiliated recommended professional, and a dispute arises related to the engagement, the client should seek recourse exclusively from and against the engaged professional. The client retains absolute discretion over all financial planning and related implementation decisions and is free to accept or reject any recommendation from Registrant and its representatives in this respect.

Availability of Mutual Funds and Exchange Traded Funds. Registrant utilizes mutual funds and exchange traded funds for its client portfolios. In addition to Registrant's investment advisory fee described below, and transaction and/or custodial fees discussed below, 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). Other funds, such as those issued by Dimensional Fund Advisors ("DFA"), are generally only available through selected registered investment advisers. If the Registrant allocates or previously allocated client investment assets to DFA funds, those clients may experience restrictions on the transferability, reallocation, or additional purchases of or reallocation among DFA funds.

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

provides a recommendation as to whether a client should engage in a rollover or not, (whether it is from an employer's plan or an existing IRA) Registrant is acting as a fiduciary within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. No client is under any obligation to roll over plan assets to an IRA managed by the Registrant or to engage the Registrant to monitor and/or manage the account while maintained at the client's employer. The Registrant's Chief Compliance Officer, Philip J. Capell, remains available to address any questions that a client may have regarding its prospective engagement and the corresponding conflict of interest presented.

Portfolio Trading Activity / Inactivity. As part of its investment advisory services, Registrant will review client portfolios on an ongoing basis to determine if any trades are necessary based upon various factors, including but not limited to investment performance, fund manager tenure, style drift, account additions/withdrawals, the client's financial circumstances, and changes in the client's investment objectives. Based upon these and other factors, there may be extended periods when Registrant determines that upon review, trades within a client's portfolio are not prudent. Clients nonetheless remain subject to the fees described in Item 5 during periods of portfolio trading inactivity.

Cash Positions. Registrant continues to treat cash as an asset class. As such, unless determined to the contrary by Registrant, all cash positions (money markets, etc.) shall continue to be included as part of assets under management for purposes of calculating Registrant's advisory fee. 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), Registrant may maintain cash positions for defensive purposes. In addition, while assets are maintained in cash, such amounts could miss market advances. Depending upon current yields, at any point in time, Registrant's advisory fee could exceed the interest paid by the client's money market fund.

Cash Sweep Accounts. Account custodians generally require that cash proceeds from account transactions or cash deposits be swept into and/or initially maintained in the custodian's sweep account. The yield on the sweep account is generally lower than those available in money market accounts. To help mitigate this issue, Registrant shall generally purchase a higher yielding money market fund available on the custodian's platform with cash proceeds or deposits, unless Registrant reasonably anticipates that it will utilize the cash proceeds to purchase additional investments for the client's account. Exceptions and/or modifications can and will occur with respect to all or a portion of the cash balances for various reasons, including, but not limited to, the amount of dispersion between the sweep account and a money market fund, an indication from the client of an imminent need for such cash, or the client has a demonstrated history of writing checks from the account. Registrant's Chief Compliance Officer, Philip J. Capell, remains available to address any questions that a client or prospective client may have regarding the above.

Client Obligations. In performing its services, Registrant will not be required to verify any information received from the client or from other designated professionals who provide services to the client, and Registrant is expressly authorized to rely thereon. Clients maintain responsibility to promptly notify the Registrant if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising Registrant's previous recommendations or services.

Cybersecurity Risk. The information technology systems and networks that Registrant and its third-party service providers use to provide services to Registrant's clients employ various controls, which are designed to prevent cybersecurity incidents stemming from intentional or unintentional actions that could cause significant interruptions in Registrant's operations and result in the unauthorized acquisition or use of clients' confidential or non-public personal information. Clients and Registrant are nonetheless subject to the risk of cybersecurity incidents that could ultimately cause them to incur losses, including for example: financial losses, cost and reputational damage to respond to regulatory obligations, other costs associated with corrective measures, and loss from damage or interruption to systems. Although Registrant has established its systems to reduce the risk of cybersecurity incidents from coming to fruition, there is no guarantee that these efforts will always be successful, especially considering that Registrant does not directly control the cybersecurity measures and policies employed by third-party service providers. Clients could incur similar adverse consequences resulting from cybersecurity incidents that more directly affect issuers of securities in which those clients invest, broker-dealers, qualified custodians, governmental and other regulatory authorities, exchange and other financial market operators, or other financial institutions.

Investment Risk. 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 Registrant) will be profitable or equal any specific performance level.

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

Disclosure Brochure. A copy of the Registrant's written Brochure as set forth on Part 2A of Form ADV and Form CRS (Client Relationship Summary) shall be provided to each client prior to, or contemporaneously with, the execution of an agreement between the client and the Registrant.

- C. The Registrant provides investment advisory services tailored specifically to the needs of each client. Before providing investment advisory services, an investment adviser representative will ascertain each client's investment objectives. Then, the Registrant will allocate and manage investment assets consistent with the designated investment objectives. The client may, at any time, impose reasonable restrictions, in writing, on the Registrant's services.
- D. The Registrant does not participate in a wrap fee program.
- E. As of February 17, 2023, the Registrant had \$216,674,379 in client assets under management on a discretionary basis.

## **Item 5            Fees and Compensation**

- A. The client can determine to engage the Registrant to provide discretionary investment advisory services on a *fee-only* basis.

### **INVESTMENT ADVISORY SERVICES**

The client can engage the Registrant to provide discretionary investment advisory services on a negotiable *fee-only* basis. The Registrant's annual investment advisory fee is based upon a percentage (%) of the market value of the assets, including cash, placed under the Registrant's management on a tiered basis as follows:

<u>Market Value of Portfolio</u>	<u>% of Assets</u>
First \$1,000,000	0.85%
Next \$2,000,000	0.75%
Balance exceeding \$3,000,000	0.65%

As an exception to the above fee schedule, when the client specifically directs the Registrant to manage accounts strictly comprised of fixed income, cash and cash equivalent assets, then the annual investment advisory fee is generally equal to 0.50% of those assets under Registrant's management. Although Registrant will allocate client assets consistent with the client's designated investment objectives, the fact that Registrant earns a higher fee for management of securities other than accounts strictly comprised of fixed income, cash and cash equivalent assets presents a conflict of interest because Registrant has an economic incentive to manage those types of securities from which it will earn a higher advisory fee.

The Registrant's investment advisory fee is negotiable at Registrant's sole discretion, depending upon objective and subjective factors that may include but are not limited to: the amount of assets to be managed; portfolio composition; the scope and complexity of the engagement; the anticipated number of meetings and servicing needs; related accounts; future earning capacity; anticipated future additional assets; the professional rendering the services; prior relationships with the Registrant and/or its representatives, and negotiations with the client. Additionally, Registrant, in its discretion, may charge a lesser investment advisory fee, charge a flat fee, waive its fee entirely, or charge fee on a different interval, based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, grandfathered fee schedules, employees and family members, courtesy accounts, competition, etc.). Certain legacy clients may have accepted different pre-existing service offerings from Registrant and may therefore receive services under different fee schedules than as set forth above. As a result, similarly situated clients could pay different fees, the services to be provided by the Registrant to any particular client could be available from other advisers at lower fees, and certain clients may have fees different than those specifically set forth above. The Registrant's Chief Compliance Officer, Philip J. Capell, remains available to address any questions that a client or prospective client may have regarding the above fee determination.

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

To the extent specifically requested by a client, the Registrant may determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone separate fixed fee basis. Registrant's planning and consulting fees are negotiable, but generally range from \$2,000.00 to \$20,000.00 on a fixed fee basis, depending upon the level and scope of the services required and the professional rendering the services.

- B. Clients may elect to have the Registrant's advisory fees deducted from their custodial account. Both Registrant's Investment Advisory Agreement and the custodial/ clearing agreement may authorize the custodian to debit the account for the amount of the

Registrant's investment advisory fee and to directly remit that management fee to the Registrant in compliance with regulatory procedures. In the limited event that the Registrant bills the client directly, payment is due upon receipt of the Registrant's invoice. The Registrant shall deduct fees and/or bill clients quarterly in advance, (except during the first quarter of the engagement in which the Registrant will bill, on a daily pro rata basis, in arrears) based upon the market value of the assets on the last business day of the previous quarter.

- C. Unless the client directs otherwise or an individual client's circumstances require, the Registrant will generally recommend that Charles Schwab and Co., Inc. and its affiliates ("Schwab") or TD Ameritrade Securities, Inc. and its affiliates ("Ameritrade") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers charge transaction fees for executing certain securities transactions according to their fee schedule, and they or their affiliated custodians also impose charges for custodial services / fees associated with maintaining the client's account. The amount of the commissions and/or transaction fees may vary depending upon the following factors: the broker-dealer/custodian utilized; whether the client household relationship has over \$1M under management by the Registrant; the type of asset (e.g., equity, ETF, mutual fund, fixed income product) and whether clients receive their account statements electronically or by hard copy. When beneficial to the client, Registrant may execute individual fixed income transactions on a discretionary basis through broker-dealers other than the account broker-dealer/custodian. In that event, the client generally will incur both the fee (commission, mark-up/mark-down) charged by the executing broker-dealer and a separate "tradeaway" and/or prime broker fee charged by the account custodian. For mutual fund and ETF purchases, clients will also incur charges imposed by the respective fund, which represent the client's pro rata share of the fund's management fee and other fund expenses. These fees and expenses are described in each fund's prospectus or other offering documents. The fees charged by the applicable broker-dealer/custodian, and the charges imposed by mutual funds and ETFs, are separate from and in addition to Registrant's advisory fee referenced in this Item 5. Registrant does not share in any portion of those fees or expenses. The Registrant's Chief Compliance Officer, Philip J. Capell, remains available to address any questions about particular commissions or fees the client may incur based on the factors described above.
- D. Registrant's annual investment advisory fee is prorated and paid quarterly, in advance, (except during the first quarter of the engagement in which the Registrant will bill, on a daily pro rata basis, in arrears) based upon the market value of the assets on the last business day of the previous quarter. The Registrant, in its sole discretion, may charge a lesser investment advisory fee (or charge a flat fee) and/or reduce or waive its minimum asset requirement based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.) The Investment Advisory Agreement between the Registrant and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the Investment Advisory Agreement. Upon termination, the Registrant will refund the pro-rated portion of the advanced unearned advisory fee based upon the number of days that services were provided during the billing quarter.
- E. Neither the Registrant, nor its representatives accept compensation from the sale of securities or other investment products.



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

Registrant is not a party to any performance or incentive-related compensation arrangements with its clients.

## **Item 7            Types of Clients**

The Registrant offers its services to: individuals, high net worth individuals, business entities, pension and profit sharing plans, trusts and estates. While the Registrant does not impose any mandatory requirements for opening or maintaining investment advisory accounts, the Registrant generally seeks to provide such services to clients having at least \$500,000 in assets designated for Registrant's management. The Registrant, in its sole discretion, may charge a lesser investment advisory fee (or charge a flat fee) and/or reduce or waive its minimum asset preference based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

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

- A. The Registrant may utilize the following methods of security analysis:
- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
  - Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)

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

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

Investment Risk in General. Investing in securities involves risk of loss that clients should be prepared to bear, including the loss of principal investment. Past performance does not guarantee future results. 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 Registrant) will be profitable or equal any specific performance level. Investment strategies such as asset allocation, diversification, or rebalancing do not assure or guarantee better performance and cannot eliminate the risk of investment losses. There is no guarantee that a portfolio employing these or any other strategy will outperform a portfolio that does not engage in such strategies. While asset values may increase and client account values could benefit as a result, it is also possible that asset values may decrease and client account values could suffer a loss.

- B. The Registrant's methods of analysis and investment strategies do not present any significant or unusual risks. However, every method of analysis has its own inherent risks. To perform an accurate market analysis the Registrant must have access to current/new market information. The Registrant has no control over the dissemination

rate of market information; therefore, unbeknownst to the Registrant, certain analyses may be compiled with outdated market information, severely limiting the value of the Registrant's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

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

- C. Currently, the Registrant allocates client investment assets primarily among open-end mutual funds, with the remainder primarily allocated among various individual equity securities (primarily ETFs), and to a lesser extent, individual stocks), and fixed income securities (bonds, certificates of deposit, money market funds, etc.), on a discretionary basis in accordance with the client's investment objectives. Each type of investment has its own unique set of risks associated with it. The following provides a short description of some of the underlying risks associated with the types of investments that Registrant uses or recommends:

Market Risk. The price of a security may drop in reaction to tangible and intangible events and conditions. This type of risk may be caused by external factors (such as economic or political factors) but may also be incurred because of a security's specific underlying investments. Additionally, each security's price can fluctuate based on market movement, 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.

Unsystematic Risk. Unsystematic risk is the company-specific or industry-specific risk in a portfolio that the investor bears. Unsystematic risk is typically addressed through diversification. However, as indicated above, diversification does not guarantee better performance and cannot eliminate the risk of investment losses.

Value Investment Risk. Value stocks may perform differently from the market as a whole and following a value-oriented investment strategy may cause a portfolio to underperform growth stocks.

Growth Investment Risk. Prices of growth stocks tend to be higher in relation to their companies' earnings and may be more sensitive to market, political and economic developments than other stocks, making their prices more volatile.

Small Company Risk. Securities of small companies are often less liquid than those of large companies and this could make it difficult to sell a small company security at a

desired time or price. As a result, small company stocks may fluctuate relatively more in price. In general, small capitalization companies are more vulnerable than larger companies to adverse business or economic developments and they may have more limited resources.

Commodity Risk. The value of commodity-linked derivative instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs, and international economic, political, and regulatory developments.

Foreign Securities and Currencies Risk. Foreign securities prices may decline or fluctuate because of: (i) economic or political actions of foreign governments, and/or (ii) less regulated or liquid securities markets. Investors holding these securities are also exposed to foreign currency risk (the possibility that foreign currency will fluctuate in value against the U.S. dollar).

Interest Rate Risk. Fixed income securities and fixed income-based securities are subject to interest rate risk because the prices of fixed income securities tend to move in the opposite direction of interest rates. When interest rates rise, fixed income security prices tend to fall. When interest rates fall, fixed income security prices tend to rise. In general, fixed income securities with longer maturities are more sensitive to these price changes.

Inflation Risk. When any type of inflation is present, a dollar at present value will not carry the same purchasing power as a dollar in the future, because that purchasing power erodes at the rate of inflation.

Reinvestment Risk. Future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate), which primarily relates to fixed income securities.

Credit Risk. The issuer of a security may be unable to make interest payments and/or repay principal when due. A downgrade to an issuer's credit rating or a perceived change in an issuer's financial strength may affect a security's value and impact performance. Credit risk is considered greater for fixed income securities with ratings below investment grade. Fixed income securities that are below investment grade involve higher credit risk and are considered speculative.

Call Risk. During periods of falling interest rates, a bond issuer will call or repay a higher-yielding bond before its maturity date, forcing the investment to reinvest in bonds with lower interest rates than the original obligations.

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. For example, changes in zoning, tax structure or laws may impact the return on investments.

Mutual Fund Risk. Mutual funds are funds that are operated by an investment company that raises money from shareholders and invests it in stocks, bonds, and/or other types of securities. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. The mutual funds charge a separate management fee

for their services. The returns on mutual funds can be reduced by the costs to manage the funds. While mutual funds generally provide diversification, risks are as generally described above, but can be significantly increased if the fund is concentrated in a particular sector of the market. Funds that are sold through brokers are called load funds, and those sold to investors directly from the fund companies are called no-load funds. Mutual funds come in many varieties. Some invest aggressively for capital appreciation, while others are conservative and are designed to generate income for shareholders. Investors should carefully assess their tolerance for risk before they decide which fund is suitable for their account.

Exchange Traded Fund Risk. ETFs trade on securities exchanges and are subject to all the risks discussed above with respect to the underlying assets they hold. However, they are also subject to the additional risk that their traded values can diverge from the underlying values of the securities that they hold. Therefore, potential losses can be increased when an ETF is purchased at a price that is higher than its underlying value or sold at a price that is lower than its underlying value. ETFs experience price changes throughout the day as they are bought and sold. In addition to the general risks of investing, there are specific risks to consider with respect to an investment in ETFs, including, but not limited to: (i) an ETF's shares may trade at a market price that is above or below its net asset value; (ii) the ETF may employ an investment strategy that utilizes high leverage ratios; or (iii) trading of an ETF's shares may be halted if the listing exchange's officials deem such action appropriate, the shares are de-listed from the exchange, or the activation of market-wide "circuit breakers" (which are tied to large decreases in stock prices) halts stock trading generally.

## **Item 9            Disciplinary Information**

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

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

- A. Neither the Registrant, 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 the Registrant, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. Lawyer or Law Firm. The Registrant's President/Chief Compliance Officer, Philip J. Capell is a licensed attorney in the state of New York in his individual capacity. He maintains an ownership interest in Philip J. Capell P.C., a New York professional law corporation providing legal services primarily in the areas of estate planning and estate administration. Mr. Capell devotes less than fifteen percent (15%) of his time to providing legal services through Philip J. Capell P.C. The Registrant does not provide legal services and no portion of the Registrant's services should be construed as legal services.

Conflict of Interest: The recommendation that a client engage the legal services of Philip J. Capell, P.C. presents a material conflict of interest, as the receipt of legal fees may

provide an incentive to recommend Philip J. Capell P.C. to provide legal services, rather than a particular client's need. No client is under any obligation to engage the services of Philip J. Capell P.C. Clients are reminded that they may acquire legal services through other, non-affiliated law firms. The Registrant's Chief Compliance Officer, Philip J. Capell, remains available to address any questions that a client or prospective may have regarding the above conflict of interest.

- D. The Registrant does not recommend or select other investment advisors for its clients.

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

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

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

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

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

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

## **Item 12 Brokerage Practices**

- A. If the client requests that the Registrant recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct the Registrant to use a specific broker-dealer/custodian), Registrant generally recommends that investment advisory accounts be maintained at Schwab or Ameritrade. Before engaging Registrant to provide investment advisory services, the client will be required to enter into a formal Investment Advisory Agreement with Registrant setting forth the terms and conditions under which Registrant will manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian. Depending on which custodian clients select to maintain their account, they may experience differences in customer service, transaction timing, the availability of sweep account vehicles and money market funds, and other aspects of investing. In certain instances, these differences could cause differences in account performance.

Factors that the Registrant considers in recommending Schwab, Ameritrade, or any other broker-dealer/custodian include historical relationship with the Registrant, financial strength, reputation, execution capabilities, pricing, research, and service.

Broker-dealers such as Schwab charge brokerage commissions, transaction, and/or other type fees for effecting certain types of securities transactions (i.e., including transaction fees for certain mutual funds, and mark-ups and mark-downs charged for fixed income transactions, etc.). The types of securities for which transaction fees, commissions, and/or other type fees (as well as the amount of those fees) shall differ depending upon the broker-dealer/custodian. While certain custodians, including Schwab generally (with the potential exception for large orders) does not currently charge fees on individual equity transactions (including ETFs), others do. There can be no assurance that Schwab will not change their transaction fee pricing in the future. Schwab may also assess fees to clients who elect to receive trade confirmations and account statements by regular mail rather than electronically.

To the extent that a transaction fee will be payable by the client to Schwab, the transaction fee shall be in addition to Registrant's investment advisory fee referenced in Item 5 above. To the extent that a transaction fee is payable, Registrant shall have a duty to obtain best execution for such transaction. However, that does not mean that the client will not pay a transaction fee that is higher than another qualified broker-dealer might charge to effect the same transaction where Registrant determines, in good faith, that the 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, transaction rates, and responsiveness. Accordingly, although Registrant will seek competitive rates, it may not necessarily obtain the lowest possible rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Registrant's investment advisory fee. Registrant's Chief

Compliance Officer, Philip J. Capell, remains available to address any questions that a client or prospective client may have regarding the above.

1. Non-Soft Dollar Research and Additional Benefits

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Registrant receives from Schwab and/or Ameritrade (or could receive from another broker-dealer/custodian, investment platform, independent investment manager, vendor, and/or fund sponsor) without cost (or at a discount) support services and products, certain of which assist the Registrant to better monitor and service client accounts maintained at such institutions. The support services that Registrant can obtain may include: investment-related research, pricing information and market data, software and other technology that provide access to client account data, trading assistance, compliance and practice management-related publications, discounted or free consulting services, discounted or free travel expenses and attendance at conferences, meetings, and other educational or social events, marketing support, computer hardware and/or software and other products used by Registrant in furtherance of its investment advisory business operations. Certain of the support services and/or products that may be received may assist the Registrant in managing and administering client accounts. Others do not directly provide such assistance, but rather assist the Registrant to manage and further develop its business enterprise.

Registrant's clients do not pay more for investment transactions executed and/or assets maintained at Schwab or Ameritrade as a result of this arrangement. There is no corresponding commitment made by the Registrant to Schwab, Ameritrade, 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 arrangements.

Schwab Advisor Services

Schwab Advisor Services (formerly called Schwab Institutional) is Schwab's business serving independent investment advisory firms like Registrant. Schwab Advisor Services provides Registrant and its clients with access to its institutional brokerage –trading, custody, reporting and related services – many of which are not typically available to Schwab retail customers. Schwab also makes available various support services and additional economic benefits ("Additional Benefits"). Some of those support services and Additional Benefits help Registrant manage or administer its clients' accounts while others help Registrant manage and grow its business. As part of the Additional Benefits, Schwab may also provide monetary assistance to Registrant or to third parties on Registrant's behalf to defray certain costs towards certain technology, compliance, legal, business consulting and other related expenses. Schwab's support services are generally available on an unsolicited basis (Registrant does not have to request them) and at no charge to Registrant. The availability of these services from Schwab benefits Registrant because Registrant does not have to produce or purchase them. Registrant is not required to pay for Schwab's services. A more detailed description of Schwab's Additional Benefits follows.

Services that Benefit the Client

Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which Registrant

might not otherwise have access or that would require a significantly higher minimum initial investment by Registrant's clients. Schwab's services described in this paragraph generally benefit Registrant's clients and their accounts.

#### Services that May Not Directly Benefit the Client

Schwab also makes available to Registrant other products and services that benefit Registrant but may not directly benefit Registrant's clients or their accounts. These products and services assist Registrant in managing and administering its clients' accounts. They include investment research, both Schwab's own and that of third parties. Registrant may use this research to service all or some substantial number of its clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- provide access to client account data (such as duplicate trade confirmations and account statements);
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- provide pricing and other market data;
- facilitate payment of Registrant's fees from Registrant's clients' accounts; and
- assist with back-office functions, recordkeeping and client reporting.

#### Services that Generally Benefit Only Registrant

Schwab also offers other services intended to help Registrant manage and further develop its business enterprise. These services include:

- educational conferences and events
- technology, compliance, legal, and business consulting;
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants and insurance providers.

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

#### Registrant's Interest in Schwab's Services

The availability of these services from Schwab benefits Registrant because it does not have to produce or purchase them. This presents an incentive for Registrant to recommend that its clients utilize Schwab for brokerage and custodial services based on Registrant's interest in receiving Schwab's services that benefit its business, rather than being based on clients' interests in receiving the best value in custody services and the most favorable execution of transactions. This presents a conflict of interest, which the Registrant mitigates as described below.

#### Additional Benefits Received

Registrant has and may continue to receive certain Additional Benefits that may or may not be offered to the Registrant again in the future. From 2017 to 2019, Schwab made payments to one or more third-party vendors on Registrant's behalf, which was



applied to the cost of software/technology-related expenses that Registrant used to help effectively manage its clients' accounts. Most recently in February 2021, Schwab agreed to make an additional payment of \$1,000 to a third-party vendor on Registrant's behalf that will also be applied to the cost of software/technology-related expenses that Registrant uses to help effectively manage its clients' accounts. From 2017 to 2019 Schwab provided the Registrant with reimbursement credited directly to Registrant's clients to compensate for any transfer of account exit fees that were incurred, for each client who transferred their account assets from another broker-dealer/custodian to Schwab. Schwab agreed to credit Registrant's clients in that respect based on the expectation but not the explicit obligation that a certain amount of Registrant's clients' assets would be transferred from another broker-dealer/custodian to Schwab as designated broker-dealer/custodian. The Registrant has no expectation that these Additional Benefits will be offered again; however, the Registrant reserves the right to negotiate for these Additional Benefits in the future. Schwab provides the Additional Benefits to Registrant in its sole discretion and at its own expense, and neither the Registrant nor its clients pay any fees to Schwab for the Additional Benefits. The Additional Benefits are generally provided on an unsolicited basis.

To mitigate this conflict of interest, Registrant will only recommend that a client select Schwab as broker-dealer/custodian if it reasonably believes that the arrangement in the best interests of its clients based upon the factors discussed throughout this Item 12. Registrant's Chief Compliance Officer, Philip J. Capell, remains available to address any questions that a client or prospective client may have regarding this conflict of interest.

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

If the client directs Registrant to execute 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 execute account transactions through alternative clearing arrangements that may be available through Registrant. Higher transaction costs adversely impact account performance. Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts. The Registrant's Chief Compliance Officer, Philip J. Capell, remains available to address any questions that a client or prospective client may have regarding the above arrangement.

- B. Transactions for each client account generally will be effected independently, unless Firm decides to purchase or sell the same securities for several clients at approximately the same time. The Firm may (but is not obligated to) combine or “batch” such orders for individual equity transactions (including ETFs) with the intention to obtain better price execution, to negotiate more favorable commission rates, or to allocate more equitably among the Firm’s clients differences in prices and commissions or other transaction costs that might have occurred had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. The Registrant shall not receive any additional compensation or remuneration as a result of such aggregation.

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

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

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

- A. As referenced in Item 12.A.1. above, the Registrant receives economic benefits from Schwab (and could receive similar economic benefits from other broker-dealer/custodians, investment platforms, independent investment managers, vendors, and/or fund sponsors) such as services or products without cost or at a discount. Registrant’s clients do not pay more for investment transactions executed and/or assets maintained at Schwab as a result of this arrangement. There is no corresponding commitment made by the Registrant to Schwab 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. Please refer to Item 12.A.1. above for more information. The Registrant’s Chief Compliance Officer, Philp J. Capell, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding conflict of interest presented.
- B. The Registrant engages promoters to introduce new prospective clients to the Registrant consistent with Rule 206(4)-1 and the Investment Advisers Act of 1940, its corresponding rules, and applicable state regulatory requirements. If the prospect

subsequently engages the Registrant, the promoter shall generally be compensated by the Registrant for the introduction. Because the promoter has an economic incentive to introduce the prospect to the Registrant, a conflict of interest is presented. The promoter's introduction shall not result in the prospect's payment of a higher investment advisory fee to the Registrant (i.e., if the prospect was to engage the Registrant independent of the promoter's introduction).

#### **Item 15      Custody**

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

To the extent that the Registrant provides clients with periodic account statements or reports, Registrant urges clients to carefully review those statements and compare them to custodial account statements. Registrant's statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. The account custodian does not verify the accuracy of the Registrant's advisory fee calculations.

#### **Item 16      Investment Discretion**

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

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

#### **Item 17      Voting Client Securities**

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

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

**Item 18          Financial Information**

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

ANY QUESTIONS: The Registrant's Chief Compliance Officer, Philip J. Capell, remains available to address any questions about the above disclosures and arrangements.