

# **Eliot Rose Wealth Management, LLC**

SEC File Number: 801 – 61108

## **Brochure**

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**This Brochure provides information about the qualifications and business practices of Eliot Rose Wealth Management, LLC (“Eliot Rose”). If you have any questions about the contents of this Brochure, please contact us at (401) 588-5122 or [jes@eliotrose.com](mailto:jes@eliotrose.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 Eliot Rose Wealth Management, LLC is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**References herein to Eliot Rose 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 its Annual Amendment on March 16, 2022, Eliot Rose Wealth Management, LLC (hereinafter referred to as “Eliot Rose” or “Registrant”) has made no material changes to this Brochure.

In addition to the above material changes, Eliot Rose has made disclosure changes, enhancements and additions below at Item 4.

**ANY QUESTIONS: Eliot Rose’s Chief Compliance Officer, Jason Eliot Siperstein, remains available to address any questions regarding this Part 2A, including the disclosure additions and enhancements.**

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

- A. Eliot Rose is a limited liability company formed on April 8, 2002 in the State of Rhode Island. Eliot Rose became registered as an Investment Adviser Firm in May 2002. Eliot Rose is principally owned by Gary Siperstein and Jason Siperstein, Eliot Rose's Managing Member.
- B. As discussed below, Eliot Rose offers to its clients (individuals) financial planning and related consulting services and discretionary investment advisory services.

#### **FINANCIAL PLANNING AND CONSULTING SERVICES**

Generally, each new client engagement with Eliot Rose will begin as a Financial Planning engagement which will last between three (3) and six (6) months and will terminate once the plan is delivered. Each Financial Planning engagement will include "Meet & Greet", "Discovery", "Design", and "Delivery". The services provided by Eliot Rose will take into account information collected from the client such as financial status, investment objectives, retirement needs, insurance needs and other financial planning objectives. The client is under no obligation to act upon our recommendations or purchase securities through Eliot Rose and / or its representatives. Our representatives will provide personal financial planning tailored to the individual needs of the client. These services may include all or a combination of any of the following:

- Cash Flow and Budget Analysis
- Risk Management and Insurance
- Investment Planning
- Retirement Planning
- Income Tax Planning
- Estate and Charitable Giving Planning
- Assistance to Loved Ones

Legal Review: Eliot Rose will not engage in any activity deemed to be the practice of law; however, Eliot Rose will assist client families with legal reviews related to their investments, business interests, and professional and charitable activities. This process will include educating clients regarding their rights, obligations and potential risks, as well as assisting them in engaging appropriate outside legal counsel.

Liquidity Management: Eliot Rose remains available to advise clients on their daily and monthly cash management requirements, ensuring that liquidity is maintained to support outflows. Reconciliation of cash accounts may be offered to clients with significant cash management systems involving multiple providers.

Prior to engaging Eliot Rose to provide planning or consulting services, clients are generally required to enter into a *Financial Planning Agreement* with Eliot Rose setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to Eliot Rose commencing services.

**Please Note:** Eliot Rose **does not** serve as an attorney, accountant, or insurance agent, and no portion of our services should be construed as same. Accordingly, Eliot Rose **does not** prepare legal documents, prepare tax returns, or sell insurance products. To the extent requested by a client, we may recommend the services of other professionals for non-investment implementation purpose (i.e. attorneys, accountants, insurance, etc.). The client is under no obligation to engage the services of any such recommended professional. Additionally, the client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Eliot Rose and/or its representatives. At all times, the engaged licensed professional[s] (i.e. attorney, accountant, insurance agent, etc.), and **not** Eliot Rose, shall be responsible for the quality and competency of the services provided. If the client engages any professional (i.e. attorney, accountant, insurance agent, etc.), recommended or otherwise, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from the engaged professional. At all times, the engaged licensed professional[s] (i.e. attorney, accountant, insurance agent, etc.), and **not** Eliot Rose, shall be responsible for the quality and competency of the services provided. Clients are reminded that they may purchase recommended insurance products through other broker-dealers and/or insurance agents. **Please Also Note:** It remains the client's responsibility to promptly notify Eliot Rose if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising Eliot Rose's previous recommendations and/or services. **ANY QUESTIONS: Registrant's Chief Compliance Officer, Jason Eliot Siperstein, remains available to address any questions that a client or prospective client may have regarding the above conflicts of interest.**

**Please Note: Planning Limitations.** Registrant believes that it is important for the client to address financial planning issues on an ongoing basis. Registrant's advisory fee, as set forth at Item 5 below, will remain the same regardless of whether or not the client determines to address financial planning issues with Registrant. It remains each client's responsibility to promptly notify Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services.

### **INVESTMENT ADVISORY SERVICES**

During the Financial Planning process, Eliot Rose may recommend its investment management services. If specifically agreed to in writing with the client, Eliot Rose will transition the client into an Investment Management with Financial Planning engagement on a *fee-only* basis. Eliot Rose's annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under Eliot Rose's management. **Under this engagement, client will receive ongoing financial planning and consulting.**

Eliot Rose's annual investment advisory fee shall include investment advisory services and the client will be charged an additional fee, as set forth in Item 5 below, for financial planning and consulting services. In the event that the client requires extraordinary planning and/or consultation services (to be determined in the sole discretion of Eliot Rose), Eliot Rose may determine to charge for such additional services, the dollar amount of which shall be set forth in a separate written notice to the client.

To commence the investment advisory process, Registrant will ascertain each client's investment objective(s) and then allocate the client's assets consistent with the client's designated investment objective(s). Once allocated, Registrant provides ongoing supervision of the account(s). Before engaging Registrant to provide investment advisory

services, clients are required to enter into an *Investment Management with Financial Planning Agreement* with Eliot Rose 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.

## MISCELLANEOUS

**Retirement Plan Rollovers – No Obligation / Potential for 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 Eliot Rose recommends that a client roll over their retirement plan assets into an account to be managed by Eliot Rose, such a recommendation creates a conflict of interest if Eliot Rose will earn a new (or increase its current) compensation as a result of the rollover. If Registrant provides a recommendation as to whether a client should engage in a rollover or not, 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 retirement plan assets to an account managed by Eliot Rose. Eliot Rose’s Chief Compliance Officer, Jason Eliot Siperstein, remains available to address any questions that a client or prospective client may have regarding the potential conflict of interest presented by such rollover recommendations.**

**Fiduciary Status:** Per the DOL: “When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries 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. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours.” Accordingly, relative to retirement accounts, “we must:

- Meet a professional standard of care when making investment recommendations (give prudent advice);
- Never put our financial interests ahead of yours when making recommendations (give loyal advice);
- Avoid misleading statements about conflicts of interest, fees, and investments;
- Follow policies and procedures designed to ensure that we give advice that is in your best interest;
- Charge no more than is reasonable for our services; and
- Give you basic information about conflicts of interest.”

**Use of Mutual and Exchange Traded Funds:** Eliot Rose 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). While we may allocate investment assets to mutual funds and exchange traded funds (“ETFs”) that are not available directly to the public, Eliot Rose may also allocate investment assets to publicly-available mutual funds and ETFs that the client could purchase without engaging Eliot Rose as an investment advisor. However, if a client or prospective client determines to purchase publicly available mutual funds or ETFs without engaging Eliot Rose as an investment advisor, the client or prospective client would not receive the benefit of Eliot Rose’s initial and ongoing investment advisory services with respect to management of the asset.

**Custodian Charges-Additional Fees.** As discussed below at Item 12 below, when requested to recommend a broker-dealer/custodian for client accounts, Registrant generally recommends that *Schwab* serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Schwab* may 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*, do not currently charge fees on individual equity transactions, others do). These fees/charges are in addition to Registrant’s investment advisory fee at Item 5 below. Registrant does not receive any portion of these fees/charges. **ANY QUESTIONS: Registrant’s Chief Compliance Officer, Jason Siperstein, remains available to address any questions that a client or prospective client may have regarding the above.**

**Portfolio Activity.** Eliot Rose has a fiduciary duty to provide services consistent with the client’s best interest. As part of its investment advisory services, Eliot Rose will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including, but not limited to, investment performance, fund manager tenure, style drift, account additions/withdrawals, and/or a change in the client’s investment objective. Based upon these factors, there may be extended periods of time when Eliot Rose determines that changes to a client’s portfolio are neither necessary nor prudent. Of course, as indicated below, there can be no assurance that investment decisions made by Eliot Rose will be profitable or equal any specific performance level(s). Clients remain subject to the fees described in Item 5 below during periods of account 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. 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. 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), the Registrant may maintain cash positions for defensive purposes. In addition, while assets are maintained in cash, such amounts could miss market advances.

**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 during the subsequent short-term period 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.

**Other Assets.** To the extent that the Registrant provides advisory monitoring or review services for client investment assets for which the Registrant does not maintain custodian access or trading authority (including initial and ongoing consideration of such assets as part of the client's asset allocation), the registrant may determine to include such assets in its advisory fee calculation per Item 5 below.

**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.

**Please Note: Socially Responsible Investing Limitations.** *Socially Responsible Investing* involves the incorporation of **Environmental, Social and Governance** considerations into the investment due diligence process ("ESG). There are potential limitations associated with allocating a portion of an investment portfolio in qualifying ESG securities (i.e., securities that have a mandate to avoid, when possible, investments in such products as alcohol, tobacco, firearms, oil drilling, gambling, etc.). The number of these securities may be limited when compared to those that do not maintain such a mandate. ESG securities could underperform broad market indices. Investors must accept these limitations, including potential for underperformance. Correspondingly, the number of ESG mutual funds and exchange traded funds are fewer when compared to those that do not maintain such a mandate. As with any type of investment (including any investment and/or investment strategies recommended and/or undertaken by Registrant), there can be no assurance that investment in ESG securities or funds will be profitable, or prove successful. The Registrant does not maintain or advocate an ESG investment strategy, but will seek to employ ESG if directed by a client to do so.

**WE DON'T RECOMMEND Cryptocurrency:** For clients who want exposure to cryptocurrencies, including Bitcoin, the Registrant, will advise the client to consider a



potential investment in corresponding exchange traded securities, or an allocation to separate account managers and/or private funds that provide cryptocurrency exposure. Crypto is a digital currency that can be used to buy goods and services, but uses an online ledger with strong cryptography (i.e., a method of protecting information and communications through the use of codes) to secure online transactions. Unlike conventional currencies issued by a monetary authority, cryptocurrencies are generally not controlled or regulated and their price is determined by the supply and demand of their market. Because cryptocurrency is currently considered to be a speculative investment, the Registrant will not exercise discretionary authority to purchase a cryptocurrency investment for client accounts. Rather, a client must expressly authorize the purchase of the cryptocurrency investment. **Please Note:** The Registrant **does not** recommend or advocate the purchase of, or investment in, cryptocurrencies. The Registrant considers such an investment to be **speculative**. **Please Also Note:** Clients who authorize the purchase of a cryptocurrency investment must be prepared for the potential for **liquidity constraints, extreme price volatility and complete loss of principal**.

**Client Obligations.** In performing its services, Eliot Rose shall not be required to verify any information received from the client or from the client's other professionals and is expressly authorized to rely thereon. Moreover, each client is advised that it remains their responsibility to promptly notify Eliot Rose if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising Eliot Rose's previous recommendations and/or services.

**Disclosure Statement.** A copy of Eliot Rose's written Privacy Notice, Disclosure Brochure as set forth on Parts 2A and 2B of Form ADV and Form CRS ("Client Relationship Summary") shall be provided to each client or prospective client prior to, or contemporaneously with, the execution of the *Investment Advisory Agreement or Financial Planning and Consulting Agreement*. Any client who has not received a copy of Registrant's written Brochure at least 48 hours prior to executing the *Investment Advisory Agreement or Financial Planning and Consulting Agreement* shall have five business days subsequent to executing the agreement to terminate the Registrant's services without penalty.

- C. Eliot Rose shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, Eliot Rose shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s).
- D. Eliot Rose does not participate in a wrap fee program.
- E. As of February 2, 2023, Eliot Rose had \$113,724,459 in assets under management on a discretionary basis.

## **Item 5            Fees and Compensation**

- A.  
**FINANCIAL PLANNING (STAND-ALONE)**

Eliot Rose *may* determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone fee basis. Eliot Rose’s planning and consulting fees are negotiable, but generally require a fee of \$5,400, payable in two (2) installments.

**Online Credit Card Payment Clearing Platform.** Stand-Alone Financial Planning and Consulting Services clients may elect to pay financial planning and consulting fees online through AdvicePay, Inc. (“AP”), a third-party service provider. AP provides a cloud-based application to facilitate Automated Clearing House (“ACH”) and credit card payments on Eliot Rose’ behalf. Fees for Investment Advisory Services will continue to be debited directly from client accounts and are not eligible for ACH or credit card payment. Please see Item 5.B for further discussion concerning our billing practices.

### **INVESTMENT ADVISORY SERVICES**

Eliot Rose may be engaged to provide discretionary investment advisory services in addition to Financial Planning and Consulting services on a *fee-only* basis. Unless Registrant agrees otherwise, in writing, Registrant shall debit the account directly for its advisory fee. Eliot Rose’s annual investment advisory fee, which includes Financial Planning and Consulting, shall be based upon a percentage (%) of the market value and type of assets placed under Eliot Rose’s management (between negotiable and 1.25%) as follows:

<u>Account Value</u>	<u>Annual Fee</u>
Up to \$499,999	1.25%
Next \$500,000 – \$1,999,999	1.00%
Next \$2,000,000 – \$3,999,999	0.75%
Next \$4,000,000 – \$4,999,999	0.65%
Next \$5,000,000 ( <i>or greater</i> )	0.50%

Eliot Rose does not require an annual minimum fee for investment advisory services.

Eliot Rose’s annual investment advisory fee is negotiable at Eliot Rose’s discretion, depending upon objective and subjective factors including but 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; grandfathered fee schedules, employee, family members, courtesy accounts, competition, future earning capacity; anticipated future additional assets; the professional(s) rendering the service(s); prior relationships with Eliot Rose and/or its representatives, and negotiations with the client. Certain legacy clients may have accepted different pre-existing service offerings from Eliot Rose and may therefore receive services under different fee schedules than as set forth above. As a result of these factors, similarly situated clients could pay different fees, the services to be provided by Eliot Rose 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.

**Eliot Rose's Chief Compliance Officer, Jason Eliot Siperstein, remains available to address any questions that a client or prospective client may have regarding the above fee determination.**

- B. Clients may elect to have Eliot Rose's advisory fees deducted from their custodial account. Both Eliot Rose's *Investment Advisory Agreement* and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of Eliot Rose's investment advisory fee and to directly remit that management fee to Eliot Rose in compliance with regulatory procedures. In the limited event that Eliot Rose bills the client directly, payment is due upon receipt of Eliot Rose's invoice. Eliot Rose shall deduct fees and/or bill clients for Investment Advisory Services quarterly in arrears, based upon the market value of the assets on the last business day of the previous quarter. As stated above in Item 4.B, Stand-Alone Financial Planning and Consulting Services clients may elect to pay financial planning and consulting fees online through AdvicePay, Inc. ("AP"), a third-party service provider. AP provides a cloud-based application to facilitate Automated Clearing House ("ACH") and credit card payments on Eliot Rose's behalf. Fees for Investment Advisory Services will continue to be debited directly from client accounts and are not eligible for ACH or credit card payment.
- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, Eliot Rose shall generally recommend that Charles Schwab and Co., Inc. ("*Schwab*") serve as the broker-dealer/custodian for client investment management assets. 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). In addition to Eliot Rose's investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).
- D. Eliot Rose shall deduct fees and/or bill clients quarterly in arrears for Investment Advisory Services, based upon the market value of the assets on the last business day of the previous quarter. The *Investment Advisory Agreement* between Eliot Rose 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, Eliot Rose 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.

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

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

## **Item 7           Types of Clients**

Eliot Rose's clients shall generally include individuals and business entities. Eliot Rose does not require a minimum asset level for Investment Advisory Services. Additionally, Eliot Rose does not require an annual minimum fee for investment advisory services. Eliot Rose shall generally price its advisory services based upon various objective and subjective factors. As a result, our clients could pay diverse fees based upon the type, amount and market value of their assets, the anticipated complexity of the engagement, the anticipated level and scope of the overall investment advisory services to be rendered, negotiations. Additional factors affecting pricing can include related accounts, employee accounts, competition, and negotiations. As a result of these factors, similarly situated clients could pay diverse fees, and the services to be provided by Registrant to any particular client could be available from other advisers at lower fees. All clients and prospective clients should be guided accordingly.

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

- A. Eliot Rose'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 Eliot Rose must have access to current/new market information. Eliot Rose has no control over the dissemination rate of market information; therefore, unbeknownst to Eliot Rose, certain analyses may be compiled with outdated market information, limiting the value of Eliot Rose'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 approach to managing client portfolios is to optimize the risk-return relationship appropriate to investor's needs and goals. The policy will be to diversify globally employing a variety of asset classes. Mutual funds, exchange traded funds, or managed portfolios will be employed to implement the portfolio, and the chosen asset classes will be periodically rebalanced to maintain a more consistent risk/reward profile.

### Methods of Analysis

We choose investments for our clients' portfolio based on the following criteria:

- ☐ Past performance considered relative to other investments having the same investment objective. Consideration shall be given to both performance rankings over various time frames and consistency of performance.
- ☐ Costs relative to other funds with like objectives and investment styles.
- ☐ The manager's adherence to investment style and size objectives.
- ☐ The size of the proposed fund.
- ☐ The length of time the fund/manager has been in existence and length of time it has been under the direction of the current manager(s) and whether or not there

have been material changes in the manager's organization and personnel.

- ☐ The historical volatility and downside risk of each proposed investment.
- ☐ How well each proposed investment complements other assets in the portfolio.
- ☐ The current economic environment.
- ☐ The likelihood of future investment success, relative to other opportunities.
- ☐ Potential for income tax costs relative to other funds with like objectives and investment styles.

- B. Currently, Eliot Rose primarily allocates client investment assets among various individual equity (stocks), debt (bonds) and fixed income securities, mutual funds and/or exchange traded funds ("ETFs"), on a discretionary basis in accordance with the client's designated investment objective(s). Each type of security has its own unique set of risks associated with it. The following provides a short description of some of the underlying risks associated with investing in these types of securities:

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.

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 operated by investment companies that raise money from shareholders and invests it in stocks, bonds, and/or other types of securities. Each fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. Mutual funds charge a separate management fee for their services, so the returns on mutual funds are reduced by the costs to manage the funds. While mutual funds generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market. Mutual 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. In addition, the client's overall portfolio may be affected by losses of an underlying fund and the level of risk arising from the investment practices of an underlying fund (such as the use of derivatives).

Exchange Traded Fund Risk. ETFs are marketable securities that are designed to track, before fees and expenses, the performance or returns of a relevant index, commodity, bonds or basket of assets, like an index fund. Unlike mutual funds, ETFs trade like common stock on a stock exchange. 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**

Eliot Rose has not been the subject of any disciplinary actions.

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

- A. Neither Eliot Rose, 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 Eliot Rose, 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. As indicated at Item 4 above, Registrant does not serve as an attorney, accountant, or insurance agent, and no portion of our services should be construed as same. Accordingly, Registrant does not prepare legal documents, prepare tax returns, or sell insurance products.
- D. Eliot Rose 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. Eliot Rose maintains an investment policy relative to personal securities transactions. This investment policy is part of Eliot Rose's overall Code of Ethics, which serves to establish a standard of business conduct for all of Eliot Rose'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, Eliot Rose also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by Eliot Rose or any person associated with Eliot Rose.

- B. Neither Eliot Rose nor any related person of Eliot Rose recommends, buys, or sells for client accounts, securities in which Eliot Rose or any related person of Eliot Rose has a material financial interest.
- C. Eliot Rose and/or representatives of Eliot Rose *may* buy or sell securities that are also recommended to clients. This practice may create a situation where Eliot Rose and/or representatives of Eliot Rose 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 Eliot Rose 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 Eliot Rose’s clients) and other potentially abusive practices.

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

- D. Eliot Rose and/or representatives of Eliot Rose *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where Eliot Rose and/or representatives of Eliot Rose 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, Eliot Rose has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Eliot Rose’s Access Persons.

## **Item 12            Brokerage Practices**

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

Factors that Eliot Rose considers in recommending *Schwab* (or any other broker-dealer/custodian to clients) include historical relationship with Eliot Rose, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Eliot Rose's clients shall comply with Eliot Rose's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where Eliot Rose determines, in good faith, that the commission/transaction fee is reasonable. To the extent that a transaction fee will be payable by the client to broker-dealer/custodian, 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 Eliot Rose 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, Eliot Rose's investment management fee. Eliot Rose's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

Charles Schwab & Co., Inc.

Eliot Rose may recommend that clients establish brokerage accounts with the Schwab Institutional division of *Schwab*, to maintain custody of clients' assets and to effect trades for their accounts. Eliot Rose is independently owned and operated and not affiliated with *Schwab*. *Schwab* provides Eliot Rose with access to its institutional trading and custody services, which are not typically available to *Schwab* retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them.

For Eliot Rose client accounts maintained in its custody, *Schwab* generally does not charge separately for custody but is compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through *Schwab* or that settle into *Schwab* accounts.

*Schwab* also makes available to Eliot Rose other products and services that benefit Eliot Rose but may not benefit its clients' accounts. Some of these other products and services assist Eliot Rose in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts.), provide research, pricing information, and other market data, facilitate payment of Eliot Rose's fees from its clients' accounts, and assist with back-office functions, recordkeeping and other client reporting. Many of these services generally may be used to service all or a substantial number of Eliot Rose's accounts, including accounts not maintained at *Schwab* Institutional. *Schwab* Institutional also makes available to Eliot Rose other services intended to help Eliot Rose manage and further develop its business enterprise. These services may include consulting, publications, and conference on practice management, information technology, business succession, regulatory compliance, and marketing. In addition, *Schwab* may make available, arrange and/or pay for these types of services rendered to Eliot Rose by independent third parties. *Schwab* Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or part of the fees of a third-party providing these services to Eliot Rose. While as a fiduciary, Eliot Rose endeavors to act in its clients' best interests, Eliot Rose's recommendation that clients maintain their assets in accounts at *Schwab* may be based in part on the benefit to Eliot Rose of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by *Schwab*, which may create a potential conflict of interest.

**Eliot Rose's Chief Compliance Officer, Jason Eliot Siperstein, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding conflict of interest such arrangement may create.**

#### 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, Eliot Rose may receive from *Schwab* (or another broker-dealer/custodian) without cost (and/or at a discount) support services and/or products, certain of which assist Eliot Rose to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by Eliot Rose may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Eliot Rose in furtherance of its investment advisory business operations.

Eliot Rose's clients do not pay more for investment transactions effected and/or assets maintained at *Schwab* as a result of this arrangement. There is no corresponding commitment made by Eliot Rose 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.

**Eliot Rose's Chief Compliance Officer, Jason Eliot Siperstein, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding conflict of interest.**

Eliot Rose does not receive referrals from broker-dealers.

Eliot Rose recommends that its clients utilize the brokerage and custodial services provided by Schwab. The Firm generally does not accept directed brokerage arrangements (but could make exceptions). A directed brokerage arrangement arises when a client requires that account transactions be effected through a specific broker-dealer/custodian, other than one generally recommended by Registrant (i.e., Schwab). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Eliot Rose 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 Eliot Rose. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

Please Note: In the event that the client directs Eliot Rose 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 Eliot Rose. Higher transaction costs adversely impact account performance. Please Also Note: Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts

**Eliot Rose's Chief Compliance Officer, Jason Eliot Siperstein, remains available to address any questions that a client or prospective client may have regarding the above arrangement.**

- B. Eliot Rose recommends that its clients utilize the brokerage and custodial services provided by Schwab. To the extent that Eliot Rose provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless Eliot Rose decides to purchase or sell the same securities for several clients at approximately the same time. Eliot Rose 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 Eliot Rose’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. Eliot Rose 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 Eliot Rose provides investment supervisory services, account reviews are conducted on an ongoing basis by Eliot Rose's Principals and/or representatives. All investment supervisory clients are advised that it remains their responsibility to advise Eliot Rose 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 Eliot Rose on an annual basis.
- B. Eliot Rose may conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided 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 on a monthly basis. Eliot Rose 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 above, Eliot Rose receives an economic benefit from *Schwab*. Eliot Rose, without cost (and/or at a discount), may receive support services and/or products from *Schwab*.

Eliot Rose’s clients do not pay more for investment transactions effected and/or assets maintained at *Schwab* as a result of this arrangement. There is no corresponding commitment made by Eliot Rose 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.

- B. As indicated at Item 12 above, Registrant can receive from Schwab (and others) without cost (and/or at a discount), support services and/or products. Registrant’s clients do not pay more for investment transactions effected and/or assets maintained at Schwab (or any other

institution) as result of this arrangement. There is no corresponding commitment made by Registrant to Schwab, or to any other entity, to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as the result of the above arrangement. **ANY QUESTIONS: Registrant's Chief Compliance Officer, Jason Eliot Siperstein, remains available to address any questions that a client or prospective client may have regarding the above arrangement and the corresponding conflict of interest presented by such arrangement.**

Registrant does not maintain solicitor arrangements/pay referral fee compensation to non-employees for new client introductions.

## **Item 15 Custody**

Eliot Rose has written authorization from each client to deduct its advisory fee from the client account and shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Eliot Rose provides the custodian of each client account a written notice of the advisory fee to be deducted from each client's account. 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. Eliot Rose may also provide a written periodic report summarizing account activity, account performance and the formula used to calculate the investment advisory fee.

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

**Eliot Rose's Chief Compliance Officer, Jason Eliot Siperstein, remains available to address any questions that a client or prospective client may have regarding custody-related issues.**

## **Item 16 Investment Discretion**

The client can determine to engage Eliot Rose to provide investment advisory services on a discretionary basis. Prior to Eliot Rose assuming discretionary authority over a client's account, the client shall be required to execute an *Investment Advisory Agreement*.

Clients who engage Eliot Rose on a discretionary basis may, at any time, impose restrictions, in writing, on Eliot Rose'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 Eliot Rose's use of margin, etc.).

## **Item 17 Voting Client Securities**

Unless the client directs otherwise in writing, Eliot Rose is responsible for voting client proxies. However, the client shall maintain exclusive responsibility for all legal proceedings or other type events pertaining to the account assets, including, but not limited

to, class action lawsuits. Eliot Rose and/or the client shall correspondingly instruct each custodian of the assets to forward to Eliot Rose copies of all proxies and shareholder communications relating to the assets. Absent mitigating circumstances and/or conflicts of interest (to the extent any such circumstance or conflict is presented), it is Eliot Rose's general policy to vote proxies consistent with the recommendation of the senior management of the issuer. Eliot Rose shall monitor corporate actions of individual issuers and investment companies consistent with Eliot Rose's fiduciary duty to vote proxies in the best interests of its clients. In light of such fiduciary duties and given the complexity of the issues that may be raised in connection with proxy votes, Eliot Rose shall monitor corporate actions of individual issuers and investment companies consistent with Eliot Rose's fiduciary duty to vote proxies in the best interests of its clients. Although the factors which Eliot Rose will consider when determining how it will vote differ on a case by case basis, they may, but are not limited to, include the following: a review of recommendations from issuer management, shareholder proposals, cost effects of such proposals, effect on employees and executive and director compensation. **Please note:** Clients may choose to direct the way in which Eliot Rose votes proxies on their behalf. **ANY QUESTIONS: Eliot Rose's Chief Compliance Officer, Jason Eliot Siperstein, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements related to proxy voting and the proxy voting policy.**

#### **Item 18      Financial Information**

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

**ANY QUESTIONS: Eliot Rose's Chief Compliance Officer, Jason Eliot Siperstein, remains available to address any questions that a client or prospective client may have regarding this Part 2A.**