

# Investment Partners Asset Management, Inc.

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**This brochure provides information about the qualifications and business practices of Investment Partners Asset Management, Inc. (the “Registrant”). If you have any questions about the contents of this brochure, please contact us at (732) 205-0391 or [gabella@investmentpartners.com](mailto:gabella@investmentpartners.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 Investment Partners Asset Management, Inc. also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **Item 2        Material Changes**

There have been no material changes made to this Brochure since its last Annual Amendment filing on February 22, 2022.

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## **Item 4      Advisory Business**

- A. Investment Partners Asset Management, Inc. (the “Registrant”) is a corporation formed on May 23, 1995 in the state of Delaware. The Registrant became registered as an investment adviser firm in April 2003. The Registrant is owned by Investment Partners Group, Inc. and Gregg Abella is the Registrant’s Chief Executive Officer.
- B.

### **INVESTMENT ADVISORY SERVICES**

The Registrant provides discretionary or non-discretionary investment advisory services on a *fee* 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 (between negotiable and 1.75%). The Registrant offers two investment advisory account options that reflect the distribution of assets and asset classes within a portfolio.

The Registrant does currently permit clients (or their authorized agents) to make unsolicited purchases and sales in advised accounts -- i.e. trades that are not recommended by the Registrant or its investment adviser representatives, but rather are recommended by the client itself (or its authorized agent) -- on client’s own behalf for their own account and risk. The Registrant also permits clients to bring assets into their accounts from other locations and, if instructed to do so either verbally or in writing by the client (or its authorized agent), the Registrant may continue to hold such securities in a client’s account, even if under other circumstances the Registrant might recommend that such assets, in whole or in part, be liquidated. In such instances, since the Registrant charges an investment advisory fee generally on the entire account balance at the end of a quarter, the fee may potentially include: a) assets which were purchased by the client (or its authorized agent), b) assets sold by the client (or its authorized agent), (if, for example the asset is a short position), or c) assets which were brought into the account by the client which the client (or its authorized agent) wishes to continue to hold.

The Registrant may (or may not), from time to time, make recommendations to the client (or its authorized agent) regarding assets purchased or sold on an unsolicited basis or assets brought into the account from another location - particularly if such assets represent, what the Registrant believes to be, a high concentration in the client’s overall account - although the Registrant is under no obligation to provide such advice and the client (or its authorized agent) is under no obligation to accept such advice.

The Registrant, its affiliates, and its adviser representatives, are under no circumstances liable for the performance of: a) assets purchased by the client (or its authorized agent) for its own account and risk on an unsolicited basis, b) assets sold by the client (or its authorized agent) for its own account and risk on an unsolicited basis, or c) assets brought into the client’s account from another location (if the Registrant, its affiliates, and adviser representatives are directed either verbally or in writing to continue to hold such securities.) Similarly, the Registrant, its affiliates and its adviser representatives are not liable: a) if the client (or its authorized agent) sells on an unsolicited basis an asset which was originally recommended by or purchased by the Registrant if that asset appreciates in value subsequent to the unsolicited order to sell it (or conversely, in the event of a shorted security), or b) if the client (or its authorized agent) purchases on an unsolicited basis an asset which is not currently recommended by the Registrant (but may have been recommended to clients in the past and may perhaps be recommended to clients in the future) and that security subsequently decreases in value (or conversely in the event of a shorted security).

## RETIREMENT PLAN CONSULTING SERVICES

The Registrant also provides retirement plan consulting services, pursuant to which it assists sponsors of self-directed retirement plans with the selection and/or monitoring of investment alternatives (generally open-end mutual funds) from which plan participants shall choose in self-directing the investments for their individual plan retirement accounts. In addition, to the extent requested by the plan sponsor, the Registrant shall also provide participant education designed to assist participants in identifying the appropriate investment strategy for their retirement plan accounts. The terms and conditions of the engagement shall be set forth in a Retirement Plan Consulting Agreement between the Registrant and the plan sponsor.

## MISCELLANEOUS

**Limited Consulting/Implementation Services.** Although the Registrant does not hold itself out as providing financial planning, estate planning or accounting services, to the extent specifically requested by the client, the Registrant *may* provide limited consultation services to its investment management clients on investment and non-investment related matters, such as estate planning, tax planning, insurance, etc. and may use software to assist in analysis of such matters. Except as indicated subsequently in this brochure, the Registrant generally shall not receive any separate or additional fee for any such consultation services.

Neither the Registrant, nor any of its representatives, serves as an attorney or accountant, and no portion of the Registrant's services should be construed as same. 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.). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all implementation decisions and is free to accept or reject any recommendation from the Registrant.

If the client engages any recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. At all times, the engaged licensed professional[s] (i.e. attorney, accountant, insurance agent, etc.), and not Registrant, shall be responsible for the quality and competency of the services provided.

It remains the client's 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 and/or services.

**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.

**Other Services.** From time to time, the Principals of the Registrant may perform consulting services, valuation studies, expert witness testimony, credit or equity committee participation, or other services on their own behalf, through Registrant or through an affiliate of Registrant. Furthermore, clients of such services may be current, past, or future clients of Registrant, outside entities (including but not limited to companies, funds, trusts, limited partnerships, etc.) that are, were, or may be investments in

client portfolios, or entities that manage investments (companies, funds, trusts, limited partnerships, etc.) that are, were, or may be investments in client portfolios.

The Registrant's Principals and/or employees may from time to time sit on the boards of directors or boards of trustees of outside entities, including clients of the Registrant or entities in which clients of the Registrant may have an investment, and receive compensation for doing so. The Chief Compliance Officer, in conjunction with the portfolio manager or supervisor, determines if any such activity could present a conflict between an advisory client's interests and the interests of the Registrant, its personnel, or affiliates requiring disclosure to the client and potential re-assignment of the account to another manager.

Because the Registrant (either directly or indirectly via its officers and/or affiliated entities) may derive an economic benefit from the foregoing services and activities, the Registrant has a conflict of interest when considering investing in any such entities for its clients. In light of the conflict of interest, a client may direct the Registrant, in writing, not to invest in any such entities for their accounts.

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

**Use of Mutual and Exchange Traded Funds.** Most mutual funds and exchange traded funds are available directly to the public. Therefore, a prospective client can obtain many of the funds that may be utilized by Registrant independent of engaging Registrant as an investment advisor. However, if a prospective client determines to do so, he/she will not receive the Registrant's initial and ongoing investment advisory services.

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).

**Retirement Rollovers-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 Registrant recommends that a client roll over their retirement plan assets into an account to be managed by Registrant, such a recommendation creates a conflict of interest if Registrant will earn 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 Registrant.

**Portfolio Activity.** Registrant has a fiduciary duty to provide services consistent with the client's best interest. As part of its investment advisory services, Registrant 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 Registrant determines that changes to a client's portfolio are neither necessary nor prudent. Clients nonetheless remain subject to the fees described in Item 5 below during periods of account inactivity.

**Unaffiliated Private Investment Funds.** Registrant may recommend that certain qualified clients consider an investment in unaffiliated private investment funds. Registrant's role relative to the private investment funds shall be limited to its initial and ongoing due diligence and investment monitoring services. Registrant's clients are under absolutely no obligation to consider or make an investment in a private investment fund(s).

**Risk Factors.** Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund's offering documents, which will be provided to each client for review and consideration. Unlike liquid investments that a client may own, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment.

**Fund Valuation.** If Registrant bills an investment advisory fee based upon the value of private investment funds or otherwise references private investment funds owned by the client on any supplemental account reports prepared by Registrant, the value for all private investment funds owned by the client will reflect the most recent valuation provided by the fund sponsor. The current value of any private investment fund could be significantly more or less than the original purchase price or the price reflected in any supplemental account report.

**Interval Funds.** When consistent with a client's investment objectives, the Registrant may allocate client assets on a discretionary or non-discretionary basis to interval funds. Investment companies structured as interval funds are generally designed for long-term investors who do not require daily liquidity. Shares of interval funds typically do not trade on the secondary market. Instead, their shares are subject to periodic redemption offers by the fund at a price based on net asset value. Accordingly, interval funds are subject to liquidity constraints. Interval funds investing in securities of companies with smaller market capitalizations, derivatives, or securities with substantial market and/or credit risk tend to have the greatest exposure to liquidity risk. Generally, interval funds recommended by IPAM offer liquidity on a quarterly basis, during which the client may seek the redemption of previously purchased interval funds. While interval funds usually honor the entire amount requested during a timely quarterly redemption, there are instances where funds may take multiple redemption periods to fully liquidate a client's investment. Given the lack of secondary market, the infrequent nature of the offers to buy back shares, and the liquidity gates (or re-purchase limits), the investor should consider the shares of interval funds to be illiquid. If you wish to restrict the Registrant's ability to invest in interval funds for your accounts, please do so in writing.

**Independent Managers.** Registrant may allocate (and/or recommend that the client allocate) a portion of a client's investment assets among unaffiliated independent investment managers ("Independent Manager(s)") in accordance with the client's designated investment objective(s). In such situations, the Independent Manager(s) shall have day-to-day responsibility for the active discretionary management of the allocated assets. Registrant shall continue to render investment supervisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. Factors which Registrant shall consider in recommending Independent

Manager(s) include the client's designated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research.

The investment management fee charged by the Independent Manager(s) is separate from, and in addition to, Registrant's advisory fee as set forth in the fee schedule in Item 5 below and which will be disclosed to the client before entering into the Independent Manager engagement and/or subject to the terms and conditions of a separate agreement between the client and the Independent Manager(s).

**Sub-Advisory Arrangements.** The Registrant may engage other unaffiliated investment advisers as sub-advisors to manage certain portions of a client's portfolio. Sub-advisors have discretionary authority for the day-to-day management of the apportioned assets. Clients do not pay a higher advisory fee than the agreed-upon rate for the account itself as a result of the Registrant's use of sub-advisors.

When using Sub-Advisors, the Registrant shall maintain both the initial and ongoing day-to-day relationship with the client. It is envisioned that Registrant and/or the client will continue to determine the custodian/broker-dealer to be used, not the Sub-Advisor, and in some cases, Charles Schwab & Co., Inc. ("*Schwab*") would be the custodian. However, in some circumstances, the Sub-Advisor may determine to use a specific custodian and as a result, underlying clients may pay higher commissions, other transaction costs, greater spreads, or receive less favorable net prices on transactions for the account than would otherwise be the case through alternative clearing arrangements. Higher costs adversely impact account performance.

**Structured Notes.** The Registrant may purchase structured notes for client accounts. A structured note is a financial instrument that combines two elements, a debt security and exposure to an underlying asset or assets. It is essentially a note, carrying counter party risk of the issuer. However, the return on the note is linked to the return of an underlying asset or assets (such as the S&P 500 Index or commodities). It is this latter feature that makes structured products unique, as the payout can be used to provide some degree of principal protection, leveraged returns (but usually with some cap on the maximum return), and be tailored to a specific market or economic view. In addition, investors may receive long-term capital gains tax treatment if certain underlying conditions are met and the note is held for more than one year. Finally, structured notes may also have liquidity constraints, such that the sale thereof before maturity may be limited.

**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 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 few 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.

**Cryptocurrency.** For clients who want exposure to cryptocurrencies, including Bitcoin, Registrant, will advise the client to consider a potential investment in corresponding exchange traded securities 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, 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. Registrant does not recommend or advocate the purchase of, or investment in, cryptocurrencies. Registrant considers such an investment to be speculative. 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.

**Excluded Account Reporting.** Registrant, in conjunction with the services provided by third-party service providers may also make available periodic comprehensive reporting services which can incorporate all or most of the client's investment assets, including those investment assets that are not part of the assets managed by Registrant (the "Excluded Assets").

The client and/or their other advisors that maintain trading authority, and not Registrant, shall be exclusively responsible for the investment performance of the Excluded Assets. Unless otherwise specifically agreed to, in writing, Registrant's service relative to the Excluded Assets is limited to reporting only. The sole exception to the above shall be if Registrant is specifically engaged to monitor and/or allocate the assets within the client's 401(k) account maintained away at the custodian directed by the client's employer. As such, except with respect to the client's 401(k) account (if applicable), Registrant does not maintain any trading authority for the Excluded Assets. Rather, the client and/or the client's designated other investment professional(s) maintain supervision, monitoring and trading authority for the Excluded Assets.

If Registrant is asked to make a recommendation as to any Excluded Assets, the client is under absolutely no obligation to accept the recommendation, and Registrant shall not be responsible for any implementation error (timing, trading, etc.) relative to the Excluded Assets. In the event the client desires that Registrant provide investment management services for the Excluded Assets, the client may engage Registrant to do so pursuant to the terms and conditions of the *Investment Advisory Agreement* between Registrant and the client.

**Client Obligations.** In performing its services, Registrant 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 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 and/or services.

**Disclosure Statement and Customer Relationship Summary.** A copy of the Registrant's written Brochure as set forth on Part 2A of Form ADV and its Customer Relationship Summary shall be provided to each client prior to, or contemporaneously with, the execution of the *Investment Advisory Agreement*.

- B. The Registrant 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, the Registrant shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at any time, impose reasonable restrictions, in writing, on the Registrant's services.
- C. The Registrant does not participate in a wrap fee program.



- D. As of December 31, 2022, the reporting date of its annual ADV filing, the Registrant had \$174,505,651 in assets under management with \$170,202,682 in assets on a discretionary basis and \$4,302,969 on a non-discretionary basis. The Registrant also had an additional \$4,636,777 in assets under advisement, in connection with its retirement plan consulting services. For further informational purposes, as of February 28, 2023, the Registrant had approximately \$185,421,518 in assets under management.

## **Item 5 Fees and Compensation**

A.

### **INVESTMENT ADVISORY SERVICES**

The Registrant's annual investment advisory fee for discretionary or non-discretionary investment advisory services shall be based upon a percentage (%) of the market value and type of assets placed under the Registrant's management and shall generally range between negotiable and 1.75% as follows:

Large Cap Equity, Small Cap Equity, Cash Balances or International Equity Account:

Asset Value	Annual Fee
First \$500,000	1.75%
Next \$500,000	1.50%
Over \$1,000,000	1.25%

Domestic or International Fixed Income Account

Asset Value	Annual Fee
Any amount	1.00%

- \* The Registrant may also choose, at its sole discretion, to offer its investment advisory services on a negotiated fee basis.

### **RETIREMENT PLAN CONSULTING SERVICES**

The terms and conditions of the Registrant's retirement plan consulting services shall generally be set forth in a Retirement Plan Consulting Agreement between the Registrant and the plan sponsor. Registrant's negotiable retirement plan consulting fees generally range between negotiable up to 1.00% of the value of plan assets under advisement, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s).

The Registrant's investment advisory fee is negotiable at Registrant's discretion, depending upon objective and subjective factors. 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.

- 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 arrears, based upon the market value of the assets on the last business day of the previous quarter.

- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, the Registrant shall generally recommend that Charles Schwab & 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.

Under certain circumstances, the Registrant may negotiate lower commissions for transactions based on the type of security in question, dollar amount of the transaction, or other factors, on a case-by-case basis.

In addition to Registrant'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).

Clients of the Registrant who have accounts with *Schwab* are charged other fees for such services as wire transfers and other services. A list of such fees is available on Schwab's website (<https://www.schwab.com/pricing> or upon request.

**Tradeaway/Prime Broker Fees.** When in the reasonable determination of the Registrant that it would be beneficial for the client, individual equity and/or fixed income transactions may be executed through broker-dealers other than the account custodian. In that event, the client will generally 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.

- D. Registrant's annual investment advisory fee shall be prorated and paid quarterly, in arrears, based upon the market value of the assets on the last business day of the previous quarter. The Registrant does not generally require an annual minimum fee or asset level for investment advisory services.

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 shall be due a pro-rated quarterly fee, based upon the number of days during the terminating quarter services were rendered, calculated based upon the value of the client's account as of the date of termination.

However, if a client terminates the advisory relationship within five (5) days of first engaging the Registrant, the full fee is refunded or not billed (as the case may be) at the end of the following quarter - thereafter the fee is pro-rated.

For a number of reasons, including but not limited to the activity of allocating or re-allocating a new client's account, the Registrant, at its discretion, may choose not to bill its advisory fees during the first quarter upon managing a new client relationship. The client in such a circumstance would however be responsible for any commission charges during that 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**

Neither the Registrant nor any supervised person of the Registrant accepts performance-based fees.

## **Item 7        Types of Clients**

The Registrant's clients shall generally include individuals, business entities, trusts, estates and charitable organizations, and pension and profit sharing plans.

## **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 (30) days)
- Options (contract for the purchase or sale of a security at a predetermined price during a specific period of time)

**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 the Registrant) will be profitable or equal any specific performance level(s). The Registrant's methods of analysis and investment strategies do not present any significant or unusual risks.

Investors generally face the following types of investment risks:

- Interest-rate Risk: Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- Market Risk: The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk may be caused by external factors independent of the fund's specific investments as well as due to the fund's specific investments. Additionally, each security's price will fluctuate based on market movement investor sentiment, which may, or may not be due to the security's operations or changes in its true value. For example, political, economic and social conditions may trigger market events which are temporarily negative, or temporarily positive.
- Inflation Risk: When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- Reinvestment Risk: This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- Liquidity Risk: Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- Financial Risk: Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of

financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

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. Additionally, Registrant or its affiliates may utilize software or systems to assist in generating possible allocation scenarios among various asset classes or securities. Such analyses are solely for illustrative purposes, may be based on a number of assumptions which are not applicable at a given point in time, and may be materially different from the allocation and securities actually selected for the client by the Registrant or its affiliates.

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 (30) day investment time period, involves a very short investment time period but will incur higher transaction costs when compared to a short-term investment strategy and substantially higher transaction costs than a longer-term investment strategy.

In addition to the fundamental investment strategies discussed above, the Registrant may, albeit infrequently, also implement and/or recommend – short selling, use of margin, and/or uncovered options transactions. Each of these strategies has a high level of inherent risk. (*See discussion below*).

The use of options transactions as an investment strategy involves a high level of inherent risk. Option transactions establish a contract between two parties concerning the buying or selling of an asset at a predetermined price during a specific period of time. During the term of the option contract, the buyer of the option gains the right to demand fulfillment by the seller. Fulfillment may take the form of either selling or purchasing a security depending upon the nature of the option contract. Generally, the purchase or the recommendation to purchase an option contract by the Registrant shall be with the intent of offsetting/"hedging" a potential market risk in a client's portfolio.

Although the intent of the options-related transactions that may be implemented by the Registrant is to hedge against principal risk, certain of the options-related strategies (i.e. straddles, short positions, etc), may, in and of themselves, produce principal volatility and/or risk. Thus, a client must be willing to accept these enhanced volatility and principal risks associated with such strategies. In light of these enhanced risks, client may direct the Registrant, in writing, not to employ any or all such strategies for their accounts.

**Covered Call Writing.** In event that a client owns an individual equity position in the account managed by Registrant, Registrant may, upon the client's consent of including options strategies in their accounts by securing appropriate paperwork from the client's custodian(s), engage in covered call writing (i.e., the sale of in-, at-, or out-of- the money call options against a long security position held in a client portfolio). This type of transaction is used to generate income. It also serves to create downside protection in the event the security position declines in value. Income is received from the proceeds of

the option sale. Such income may be reduced to the extent it is necessary to buy back the option position prior to its expiration. There can be no assurance that the security will not be called away by the option buyer, which will result in the client (option writer) to lose ownership in the security and incur potential unintended tax consequences.

For detailed information on the use of options and option strategies, please refer to the Option Clearing Corp.'s Option Disclosure Document, which can be found at:

<http://www.optionsclearing.com/components/docs/riskstoc.pdf>

Hard copies may be ordered by calling 1-888-678-4667 or writing OCC, 1 North Wacker Drive, Suite 500 Chicago, IL 60606.

### **Other Investment Strategies.**

In its role as a fiduciary, in order to enhance the value of its clients' holdings and/or to protect the value of its clients' investments, Registrant may from time to time take an activist stance with an issuer in which the Registrant's clients are invested. Such a strategy may include, but is not limited to, the Registrant a) writing to the issuer as a fiduciary on behalf of its clients indicating Registrant's perspective of the issuer's management and direction, b) making recommendations to the issuer's management and its board of directors, c) proposing matters for shareholders of the issuer to vote upon, and/or d) seeking a seat on the board of directors of the issuer. Depending upon the circumstances, the issuer may or may not be receptive to communications from the Registrant, and indeed may overtly resist, block, or ignore any or all of Registrant's suggestions and strategies.

The Registrant may (or may not) from time to time utilize a technique generally referred to as tactical asset allocation. This approach is sometimes described as an active portfolio management strategy that rebalances the percentage of assets held in various categories in order to take advantage of market pricing anomalies or strong market sectors. Such a strategy, for example, may result in increased transactions and lower exposure to equities in a client's account when the advisor perceives potential negative conditions in equity markets, or higher exposure to equities when the Registrant perceives potentially favorable market conditions.

Furthermore, while the Registrant may employ a number of investing styles (including but not limited to value, growth, or other strategies) within a single client account- generally the Registrant favors value investing. Value investing attempts to find investments in issuers which, among other things, may trade at discounts to book value or tangible book value, have high dividend or interest yields, have low price-to-earnings multiples or have low price-to-book ratios, among other attributes. Securities with these characteristics may be those of out-of-favor companies, industries, sectors, funds, etc. Additionally, while value-oriented investments may come about simply due to market dynamics, it is also possible that value-oriented investments arise due to deteriorating business conditions for a given company, industry, sector, fund, etc. By employing the value strategy, Registrant hopes to achieve a return when, as, and if the market's perception over time improves for a particular company, industry, sector, fund, etc. Such a strategy may take time to develop in the manner the Registrant expects, if ever, and may or may not yield positive results.

- B. Currently, the Registrant primarily allocates client investment assets among various individual equity (stocks), debt (bonds) and fixed income securities, mutual funds and/or exchange traded funds ("ETFs") (including inverse ETFs and/or mutual funds that are designed to perform in an inverse relationship to certain market indices), foreign securities or funds and publicly-traded master limited partnerships, on a discretionary and/or non-discretionary basis in accordance with the client's designated investment objective(s).

## 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. **Licensed Insurance Agency.** Registrant's affiliate, Investment Partners Capital & Management, Inc. is a minority owner of Aurum Partners, LLC, a licensed insurance agency. Certain of Registrant's representatives may recommend that clients purchase insurance products through Aurum Partners, LLC.

**Conflict of Interest:** The recommendation by Registrant's representatives that a client purchase an insurance commission product from Aurum Partners, LLC presents a conflict of interest, as the receipt of compensation from Investment Partners Capital & Management, Inc. attributable to its ownership interest in Aurum Partners, LLC may provide an incentive to recommend investment products based on compensation to be received, rather than on a particular client's need. No client is under any obligation to purchase any insurance products from Aurum Partners, LLC. Clients are reminded that they may purchase insurance products recommended by Registrant through other, non-affiliated insurance agents or agencies. **The Registrant's Chief Compliance Officer, Gregg T. Abella, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

- D. The Registrant does not currently 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. 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 firm 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 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 Persons of the Registrant must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within thirty (30) 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 the Registrant selects; provided, however that at any time that the Registrant has only one Access Person, he or she shall 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 firm are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a conflict of interest. As indicated above in Item 11.C, 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. In the event that the client requests that Registrant recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct Registrant to use a specific broker-dealer/custodian), Registrant recommends that investment management accounts be maintained at *Schwab*. Prior to engaging Registrant to provide investment management 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 shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that the Registrant considers in recommending *Schwab* (or any other broker-dealer/custodian to clients) include historical relationship with the Registrant, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Registrant's clients shall comply with the Registrant's duty to seek best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Registrant determines, in good faith, that the commission/transaction fee is reasonable. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of broker-dealer services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Registrant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. Under certain circumstances, it is possible that the Registrant may select a broker-dealer to conduct a trade in specific securities (for example fixed-income securities such as bonds) which could result in a commission or mark-up for the broker-dealer in addition to commission charge from the client’s custodial broker-dealer (generally *Schwab*) in order to settle the trade in a client account.

The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Registrant's investment management fee. The Registrant's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

1. 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* (or another broker-dealer/custodian, investment platform, unaffiliated investment manager, vendor, and/or product/fund sponsor) without cost (and/or at a discount) support services and/or products, certain of which assist the Registrant to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by the Registrant 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 Registrant in furtherance of its investment advisory business operations.

As indicated above, 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.

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 result of the above arrangement.

Additional Benefits

Registrant may receive certain additional economic benefits ("Additional Benefits") that may or may not be offered to the Registrant again in the future. These Additional Benefits generally include partial payment for third-party services and certain client events. When these Additional Benefits are accepted by the Registrant they are one off payments between \$1,000 and \$5,000. Each payment is non-recurring and individually negotiated. 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.

**The Registrant's Chief Compliance Officer, Gregg T. Abella, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding conflict of interest.**

2. The Registrant does not generally receive referrals from broker-dealers used to effect client transactions.
3. The Registrant does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client-directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and 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.



In the event that the client directs Registrant 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 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, Gregg T. Abella, remains available to address any questions that a client or prospective client may have regarding the above arrangement.**

- B. To the extent that the Registrant provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless the Registrant decides to purchase or sell the same securities for several clients at approximately the same time. The Registrant may (but is not obligated to) combine or "bunch" such orders to seek best execution, to negotiate more favorable commission rates or to allocate equitably among the Registrant'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. To the degree separate advisory accounts may be held at a number of custodians, it may not be possible for transactions conducted on the same day to be averaged as to price if such trades are conducted at different financial institutions. 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 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 an other-than-periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. 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 an indirect economic benefit from *Schwab*. The Registrant, without cost (and/or at a discount), receives support services and/or products from *Schwab*.

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 result of the above arrangement.

**The Registrant's Chief Compliance Officer, Gregg T. Abella, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding conflict of interest.**

- B. If a client is introduced to the Registrant by either an unaffiliated or an affiliated promoter, Registrant *may* pay that promoter a referral fee in accordance with the requirements of Rule 206(4)-1 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from the Registrant's investment management fee, and shall not result in any additional charge to the client. If the client is introduced to the Registrant by an unaffiliated promoter, the promoter, at the time of the referral, shall disclose the nature of their relationship.

## **Item 15 Custody**

The Registrant shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. 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, the client is urged to compare any statement or report provided by the Registrant with the account statements received from the account custodian.

The account custodian does not verify the accuracy of the Registrant's advisory fee calculation.

## **Item 16 Investment Discretion**

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

Clients who engage 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. Unless the Registrant notifies the client to the contrary, it is the Registrant's general policy that the client shall be responsible 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 of events pertaining to the client's

accounts. Examples where the Registrant may choose to vote a particular proxy on a client's behalf include, but are not limited to: a) the upcoming deadline of a vote makes it impractical for a client to vote its own proxy; b) an item requiring a vote materially impacts (positively or negatively) a client's rights or financial position with an issuer; c) a client has asked the Registrant to evaluate a proxy and vote it on its behalf; or d) the Registrant determines that an item requiring a vote is a non-routine matter with respect to an issuer. To obtain a complete copy of the Registrant's proxy voting policies and procedures, or to obtain information as to how the Registrant may have voted any proxies on a client's behalf, the client should contact the Registrant's Chief Compliance Officer, Gregg T. Abella.

- B. Unless the Registrant notifies its clients to the contrary and agrees to vote the client's proxy, 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.

**The Registrant's Chief Compliance Officer, Gregg T. Abella, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**