

# Disclosure Brochure

March 29, 2023

## **JP Wealth Management Inc.**

*a Registered Investment Adviser*

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This brochure provides information about the qualifications and business practices of JP Wealth Management Inc. (hereinafter "JPWM"). If you have any questions about the contents of this brochure, please contact John F. Carey at (866) 562-6969. 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 JP Wealth Management Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

JP Wealth Management Inc. is an SEC registered investment adviser. Registration does not imply any level of skill or training.

## Item 2. Material Changes

In this Item, JPWM is required to discuss any material changes which have been made to the brochure since the last annual amendment filed March 24, 2022. As of June 2022, Michael Deo is no longer and owner/partner of JPWM.

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## Item 4. Advisory Business

JPWM is principally owned by Mark Perlson and John F. Carey, and has been in business as an SEC registered investment adviser since June 2004.

JPWM provides financial planning, consulting and investment management services. Prior to engaging JPWM to provide any of the foregoing investment advisory services, the client is required to enter into one or more written agreements with JPWM setting forth the terms and conditions under which JPWM renders its services (collectively the "*Agreement*"). As of February 24, 2023, JPWM had \$227,326,751 in assets under management, all of which was managed on a discretionary basis.

This Disclosure Brochure describes the business of JPWM. Certain sections will also describe the activities of *Supervised Persons*. *Supervised Persons* are any of JPWM's officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees or any other person who provides investment advice on JPWM's behalf and is subject to JPWM's supervision or control.

### Financial Planning and Consulting Services

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JPWM provides its clients with a broad range of comprehensive financial planning and consulting services. These services include, but are not limited to investments, retirement, education and cash flow needs of the client.

In performing its services, JPWM is not required to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. JPWM recommends the services of itself, and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if JPWM recommends its own services. The client is under no obligation to act upon any of the recommendations made by JPWM under a financial planning or consulting engagement or to engage the services of any such recommended professional, including JPWM itself. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of JPWM's recommendations. Clients are advised that it remains their responsibility to promptly notify JPWM if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising JPWM's previous recommendations and/or services.

### Investment Management Services

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Clients can engage JPWM to manage all or a portion of their assets on a discretionary basis.

JPWM primarily allocates clients' investment management assets among mutual funds, exchange-traded funds ("ETFs"), individual debt and equity securities and/or options, as well as the securities components of variable annuities and variable life insurance contracts, in accordance with the investment objectives of

the client. JPWM may provide advice about any type of investment or legacy position otherwise held in clients' portfolios.

JPWM also renders non-discretionary investment management services to clients relative to variable life/annuity products that they own, their individual employer-sponsored retirement plans or other products that are not held by the client's primary custodian. In so doing, JPWM either directs or recommends the allocation of client assets among the various investment options that are available with the product. Client assets are maintained at the specific insurance company or custodian designated by the product.

JPWM tailors its advisory services to the individual needs of clients. JPWM consults with clients initially and on an ongoing basis to determine risk tolerance, time horizon and other factors that may impact the clients' investment needs. JPWM ensures that clients' investments are suitable for their investment needs, goals, objectives and risk tolerance.

Clients are advised to promptly notify JPWM if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon JPWM's management services. Clients may impose reasonable restrictions or mandates on the management of their account (e.g., require that a portion of their assets be invested in socially responsible funds) if, in JPWM's sole discretion, the conditions will not materially impact the performance of a portfolio strategy or prove overly burdensome to its management efforts.

## Item 5. Fees and Compensation

JPWM offers its services on a fee basis, which includes hourly and/or fixed fees, as well as fees based upon assets under management.

### Financial Planning and Consulting Fees

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JPWM charges a fixed fee and/or hourly fee for financial planning and consulting services.

Investment management clients can engage JPWM to provide a financial plan (which may include non-investment related matters). JPWM's investment management fee, as described below, is generally inclusive of any investment-related consulting services. In addition, JPWM generally waives financial planning fees for new clients.

Alternatively, JPWM can be engaged to provide a less comprehensive investment policy statement on an hourly basis at a rate of \$200 per hour. JPWM may also charge a fee of \$200 on an hourly rate basis to non-investment management and investment management clients that require a disproportionate amount of financial planning and/or consulting services.

Prior to engaging JPWM to provide financial planning and/or consulting services, the client is required to enter into a written agreement with JPWM setting forth the terms and conditions of the engagement. Generally, JPWM requires one-half of the financial planning and/or consulting fee (estimated hourly) payable upon entering the written agreement. The balance is generally due upon delivery of the financial plan or completion of the agreed upon services.

### Investment Management Fees

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JPWM provides investment management services for an annual fee based upon a percentage of the market value of the assets being managed by JPWM. The annual fee varies (between 0.40% and 1.00%) depending upon the market value of the assets under management, as follows:

PORTFOLIO VALUE	ANNUAL FEE
up to \$1,000,000	1.00%
\$1,000,001 - \$6,000,000	0.75%
\$6,000,001 - \$10,000,000	0.50%
above \$10,000,000	0.40%

JPWM's annual fee is prorated and charged monthly, in advance, based upon the market value of the assets being managed by JPWM on the last day of the previous month. JPWM's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees and other related costs and expenses

which are incurred by the client. JPWM does not, however, receive any portion of these commissions, fees and costs.

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**Fee Discretion**

JPWM, in its sole discretion, may negotiate to charge a lesser advisory fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, *pro bono* activities, etc.).

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**Fees Charged by Financial Institutions**

As further discussed in response to Item 12 (below), JPWM generally recommends that clients utilize the brokerage and clearing services of Charles Schwab & Co., Inc. ("*Schwab*") for investment management accounts.

JPWM may only implement its investment management recommendations after the client has arranged for and furnished JPWM with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to, *Schwab*, any other broker-dealer recommended by JPWM, broker-dealer directed by the client, trust companies, banks etc. (collectively referred to herein as the "*Financial Institutions*").

Clients will incur certain charges imposed by the *Financial Institutions* and other third parties such as custodial fees, charges imposed directly by a mutual fund or ETF in the account, which are disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees and other fees and taxes on brokerage accounts and securities transactions. Additionally, for assets outside of any wrap fee programs, clients will incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to JPWM's fee.

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**Fee Debit**

JPWM's *Agreement* and the separate agreement with any *Financial Institutions* authorize JPWM to debit the client's account for the amount of JPWM's fee and to directly remit that management fee to JPWM. Any *Financial Institutions* recommended by JPWM have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to JPWM.

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**Fees for Management During Partial Months of Service**

For the initial period of investment management services, the fees are calculated on a *pro rata* basis.

The *Agreement* between JPWM and the client will continue in effect until terminated by either party pursuant to the terms of the *Agreement*. JPWM's fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate.

Clients may make additions to and withdrawals from their account at any time, subject to JPWM's right to terminate an account. Additions may be in cash or securities provided that JPWM reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to JPWM, subject to the usual and customary securities settlement procedures. However, JPWM designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. JPWM may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

If assets are deposited into or withdrawn from an account after the inception of a month, the fee payable with respect to such assets will not be adjusted or prorated based on the number of days remaining in the month.



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

JPWM does not provide any services for performance-based fees. Performance-based fees are those based on a share of capital gains on or capital appreciation of the assets of a client.

## Item 7. Types of Clients

JPWM provides its services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities.

### Minimum Fee

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As a condition for starting and maintaining a relationship, JPWM generally imposes a minimum annual fee of \$10,000. This minimum fee may have the effect of making JPWM's service impractical for clients, particularly those with portfolios less than \$1,000,000 under JPWM's management. JPWM, in its sole discretion, may waive its minimum annual fee based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention and *pro bono* activities.

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

### Methods of Analysis

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JPWM's primary method of analysis can be described as fundamental in nature.

Fundamental analysis involves assessing the economic and political conditions that affect the overall trends of the markets. JPWM analyzes many factors, included but not limited to macroeconomic and political factors that it believes may influence market trends—such as whether the economy is expanding or contracting, stock market valuation, inflation levels and trends, changes in tax policy and Federal monetary policy decisions. JPWM's analysis of whether the stock market is trending “up” or “down” is used (along with client investment objectives and time horizons) to make tactical changes in asset allocation in client portfolios. JPWM's analysis of whether interest rates are trending “up” or “down” is also used in making tactical changes in asset allocation, as well as average bond market maturities in client portfolios.

### Investment Strategies

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#### *Portfolio Philosophy*

JPWM seeks to diversify investment exposures over numerous asset classes and asset class sectors in an attempt to reduce the risk of sustaining substantial losses. JPWM believes that the allocation of an investor's assets is an important determining factor in long-term portfolio performance. A flexible strategic asset allocation foundation is utilized, which allows for any tactical tilts that JPWM feels are necessary to reduce risk when asset valuations, the economic environment and other considerations warrant.

#### *Portfolio Strategy*

A globally diversified asset allocation strategy is employed, maintaining a core of passive and indexed investments supported by appropriate active portfolio managers. JPWM believes that there are specific asset classes, market conditions and situations that may allow active managers to add value. As a result, the overall combination of these methods produce portfolios designed for long-term success with proper diversification and liquidity.

#### *Portfolio Implementation*

JPWM implements portfolios utilizing various types of securities including mutual funds, exchanged traded funds (ETFs), closed-end funds and individual stocks and bonds to name a few. The decision of what method of investing and type of security is used to gain exposure to an asset class is influenced by many factors including but not limited to: the asset class or asset class sector being invested, asset valuations, the economic environment, taxes, liquidity and the costs associated with investing.

## Risks of Loss

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### *Mutual Funds and Exchange-Traded Funds (ETFs)*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

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

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

### *Market Risks*

The profitability of a significant portion of JPWM's recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that JPWM will be able to predict those price movements accurately.

### *Use of Margin*

To the extent that a client authorizes the use of margin, and margin is thereafter employed by JPWM in the management of the client's investment portfolio, the market value of the client's account and corresponding fee payable by the client to JPWM will not be increased.

While the use of margin borrowing can substantially improve returns, such use may also increase the adverse impact to which a client's portfolio may be subject. Borrowings will usually be from securities brokers and dealers and will typically be secured by the client's securities and/or other assets. Under

certain circumstances, such a broker-dealer may demand an increase in the collateral that secures the client's obligations and if the client were unable to provide additional collateral, the broker-dealer could liquidate assets held in the account to satisfy the client's obligations to the broker-dealer. Liquidation in that manner could have extremely adverse consequences. In addition, the amount of the client's borrowings and the interest rates on those borrowings, which will fluctuate, will have a significant effect on the client's profitability.

### *General Risk of Loss*

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

## Item 9. Disciplinary Information

JPWM is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. JPWM does not have any required disclosures to this Item.

## Item 10. Other Financial Industry Activities and Affiliations

JPWM is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons.

### **Related Certified Public Accountants**

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JPWM does not render accounting advice or tax preparation services to its clients. Rather, to the extent that a client requires accounting advice and/or tax preparation services, JPWM, if requested, recommends the services of Perlson, LLP, a Certified Public Accounting firm. All services performed by Perlson, LLP are rendered independent of JPWM and pursuant to a separate agreement between the client and Perlson, LLP. JPWM does not receive any of the fees charged by Perlson, LLP, referral or otherwise.

### **Related Electronic Components Business**

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Mark Perlson and John F. Carey are shareholders of Cube Components, Inc., a privately-held electronic components business. Although one client of JPWM has invested in Cube Components, Inc. and is a creditor to the company, JPWM did not recommend such investments to the client. Nonetheless, the additional incentive for JPWM to maintain this relationship creates a conflict of interest.

## Item 11. Code of Ethics

JPWM and persons associated with JPWM (“Associated Persons”) are permitted to buy or sell securities that it also recommends to clients consistent with JPWM’s policies and procedures.

JPWM has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws (“*Code of Ethics*”). JPWM’s *Code of Ethics* contains written policies reasonably designed to prevent the unlawful use of material non-public information by JPWM or any of its associated persons. The *Code of Ethics* also requires that certain of JPWM’s personnel (called “*Access Persons*”) report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

When JPWM is engaging in or considering a transaction in any security on behalf of a client, no *Access Person* may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the *Access Person*) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the *Access Person* is completed as part of a batch trade (as defined below in Item 12) with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers’ acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

This *Code of Ethics* has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by *Access Persons* to be completed without any appreciable impact on the markets of such securities. Therefore, under certain limited circumstances, exceptions may be made to the policies stated above.

Clients and prospective clients may contact JPWM to request a copy of its *Code of Ethics*.



## Item 12. Brokerage Practices

As discussed above, in Item 5, JPWM generally recommends that clients utilize the brokerage and clearing services of *Schwab*.

The final decision to custody assets with Schwab is at the discretion of the client, including those accounts under ERISA or IRA rules and regulations, in which case the client is acting as either the plan sponsor or IRA accountholder. JPWM is independently owned and operated and not affiliated with Schwab. Schwab provides JPWM with access to its institutional trading and custody services, which are typically not available to retail investors.

Factors which JPWM considers in recommending Schwab or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. Schwab enables the Firm to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by Schwab may be higher or lower than those charged by other Financial Institutions.

The commissions paid by JPWM's clients to Schwab comply with the Firm's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified Financial Institution might charge to effect the same transaction where JPWM determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a Financial Institution's services, including among others, the value of research provided, execution capability, commission rates and responsiveness. JPWM seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Transactions may be cleared through other broker-dealers with whom the Firm and its custodians have entered into agreements for prime brokerage clearing services. Should an account make use of prime brokerage, the Client may be required to sign an additional agreement, and additional fees are likely to be charged.

Consistent with obtaining best execution, brokerage transactions are directed to certain broker-dealers in return for investment research products and/or services which assist JPWM in its investment decision-making process. Such research will be used to service all of the Firm's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because JPWM does not have to produce or pay for the products or services.

JPWM periodically and systematically reviews its policies and procedures regarding its recommendation of Financial Institutions in light of its duty to obtain best execution.

### Software and Support Provided by Financial Institutions

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JPWM receives without cost from Schwab administrative support, computer software, related systems support, as well as other third party support as further described below (together "Support") which allow JPWM to better monitor client accounts maintained at Schwab and otherwise conduct its business. JPWM receives the Support without cost because the Firm renders investment management services to clients that maintain assets at Schwab. The Support is not provided in connection with securities transactions of clients (i.e., not "soft dollars"). The Support benefits JPWM, but not its clients directly. Clients should be aware that JPWM's receipt of economic benefits such as the Support from a broker-dealer creates a conflict of interest since these benefits will influence the Firm's choice of broker-dealer over another that does not furnish similar software, systems support or services. In fulfilling its duties to its clients, JPWM endeavors at all times to put the interests of its clients first and has determined that the recommendation of Schwab is in the best interest of clients and satisfies the Firm's duty to seek best execution.

Specifically, JPWM receives the following benefits from Schwab: i) receipt of duplicate client confirmations and bundled duplicate statements; ii) access to a trading desk that exclusively services its institutional traders; iii) access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and iv) access to an electronic communication network for client order entry and account information.

These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a certain amount of the advisor's clients' assets are maintained in accounts at Schwab Advisor Services. Schwab's services include brokerage services that are related to the execution of securities transactions, custody, research, including that in the form of advice, analyses and reports, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

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

Schwab also makes available to the Firm other products and services that benefit the Firm but may not benefit its clients' accounts. These benefits may include national, regional or Firm specific educational events organized and/or sponsored by Schwab. Other potential benefits may include occasional business entertainment of personnel of JPWM by Schwab personnel, including meals, invitations to sporting events, including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities. Other of these products and services assist JPWM in managing and administering clients' accounts. These include software and other technology (and related technological training) 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 the Firm's fees from its clients' accounts, and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of the Firm's accounts, including accounts not maintained at Schwab. Schwab also makes available to JPWM other services intended to help the Firm manage and further develop its business enterprise. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance and marketing. In addition, Schwab may make available, arrange and/or pay vendors for these types of services rendered to the Firm by independent third parties. Schwab may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to the Firm. While, as a fiduciary, JPWM endeavors to act in its clients' best interests, the Firm's recommendation that clients maintain their assets in accounts at Schwab may be based in part on the benefits received and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which creates a potential conflict of interest.

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**Directed Brokerage**

The client may direct JPWM in writing to use a particular Financial Institution to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that Financial Institution and the Firm will not seek better execution services or prices from other Financial Institutions or be able to "batch" client transactions for execution through other Financial Institutions with orders for other accounts managed by JPWM (as described above). As a result, the client may pay higher commissions or other transaction costs, greater spreads or may receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, JPWM may decline a client's request to direct brokerage if, in the Firm's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

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**Trade Aggregation**

Transactions for each client will be effected independently, unless JPWM decides to purchase or sell the same securities for several clients at approximately the same time. JPWM may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Firm's clients differences in prices and commissions or other transaction costs that might not have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and allocated among JPWM's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that the Firm determines to aggregate client orders for the purchase or sale of securities, including securities in which JPWM's Supervised Persons may invest, the Firm does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange

Commission. JPWM does not receive any additional compensation or remuneration as a result of the aggregation.

In the event that the Firm determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a de minimis allocation in one or more accounts, the Firm may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

## Item 13. Review of Accounts

### Account Reviews

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For those clients to whom JPWM provides investment management services, JPWM monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. For those clients to whom JPWM provides financial planning and/or consulting services, reviews are conducted on an “as needed” basis. Such reviews are conducted by the Principals of JPWM, John F. Carey and Mark Perlson. All investment advisory clients are encouraged to discuss their needs, goals and objectives with JPWM and to keep JPWM informed of any changes thereto. JPWM contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client’s financial situation and/or investment objectives.

### General Reports and Statements

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Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those clients to whom JPWM provides investment advisory services may also receive a report from JPWM and/or a third-party vendor that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance on a quarterly basis. Clients should compare the account statements they receive from their custodian with those they receive from JPWM or another provider.

### Financial Planning and Consulting Reports

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Those clients to whom JPWM provides financial planning and/or consulting services will receive reports from JPWM summarizing its analysis and conclusions as requested by the client or otherwise agreed to in writing by JPWM.

## Item 14. Client Referrals and Other Compensation

### Client Referrals

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JPWM does not currently provide compensation to third-party solicitors for client referrals.

### Other Economic Benefit

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JPWM receives economic benefits from Schwab. The benefits, conflicts of interest and how they are addressed are discussed above in response to Item 12.

## Item 15. Custody

JPWM's *Agreement* and/or the separate agreement with any *Financial Institution* authorizes JPWM through such *Financial Institution* to debit the client's account for the amount of JPWM's fee and to directly remit that management fee to JPWM in accordance with applicable custody rules.

The *Financial Institutions* recommended by JPWM have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to JPWM. In addition, as discussed in Item 13, JPWM and/or third party vendor may also send periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the *Financial Institutions* and compare them to those received from JPWM.

JPWM also has custody due to clients giving the Firm limited power of attorney in a standing letter of authorization ("SLOA") to disburse funds to one or more third parties as specifically designated by the client. In such circumstances, the Firm will implement the steps in the SEC's no-action letter on February 21, 2017 which includes (in summary): i) client will provide instruction for the SLOA to the custodian; ii) client will authorize the Firm to direct transfers to the specific third party; iii) the custodian will perform appropriate verification of the instruction and provide a transfer of funds notice to the client promptly after each transfer; iv) the client will have the ability to terminate or change the instruction; v) the Firm will have no authority or ability to designate or change the identity or any information about the third party; vi) the Firm will keep records showing that the third party is not a related party of the Firm or located at the same address as the Firm; and vii) the custodian will send the client an initial and annual notice confirming the SLOA instructions.

## Item 16. Investment Discretion

JPWM is given the authority to exercise discretion on behalf of clients. JPWM is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. JPWM is given this authority through a power-of-attorney included in the agreement between JPWM and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). JPWM takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made; and
- The *Financial Institutions* to be utilized.



## Item 17. Voting Client Securities

JPWM may vote client securities (proxies) on behalf of its clients. When JPWM accepts such responsibility, it will only cast proxy votes in a manner consistent with the best interest of its clients. Absent special circumstances, which are fully-described in JPWM's Proxy Voting Policies and Procedures, all proxies will be voted consistent with guidelines established and described in JPWM's Proxy Voting Policies and Procedures, as they may be amended from time-to-time. Clients may contact JPWM to request information about how JPWM voted proxies for that client's securities or to get a copy of JPWM's Proxy Voting Policies and Procedures. A brief summary of JPWM's Proxy Voting Policies and Procedures is as follows:

- JPWM has formed a Proxy Voting Committee that will be responsible for monitoring corporate actions, making voting decisions in the best interest of clients and ensuring that proxies are submitted in a timely manner.
- The Proxy Voting Committee will generally vote proxies according to JPWM's then current Proxy Voting Guidelines. The Proxy Voting Guidelines include many specific examples of voting decisions for the types of proposals that are most frequently presented, including: composition of the board of directors; approval of independent auditors; management and director compensation; anti-takeover mechanisms and related issues; changes to capital structure; corporate and social policy issues; and issues involving mutual funds.
- Although the Proxy Voting Guidelines are followed as a general policy, certain issues are considered on a case-by-case basis based on the relevant facts and circumstances. Since corporate governance issues are diverse and continually evolving, JPWM devotes an appropriate amount of time and resources to monitor these changes.
- Clients cannot direct JPWM's vote on a particular solicitation but can revoke JPWM's authority to vote proxies.

In situations where there is a conflict of interest in the voting of proxies due to business or personal relationships that JPWM maintains with persons having an interest in the outcome of certain votes, JPWM takes appropriate steps to ensure that its proxy voting decisions are made in the best interest of its clients and are not the product of such conflict.

## Item 18. Financial Information

JPWM is not required to disclose any financial information pursuant to this Item due to the following:

- The firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance;
- The firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The firm has not been the subject of a bankruptcy petition at any time during the past ten years.

## **JP Wealth Management Inc.**

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