

# HURLEY CAPITAL, LLC

SEC File # 801-69269

Form ADV Part 2A, Brochure

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**This Brochure provides information about the qualifications and business practices of Hurley Capital, LLC. If you have any questions about the contents of this Brochure, please contact us at [jessica@hurleycapital.com](mailto:jessica@hurleycapital.com) or 212-605-0665. 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 Hurley Capital, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**References herein to Hurley Capital, LLC as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.**

## **Item 2           Material Changes**

There have been no material changes to this Brochure since the February 19, 2022 annual update filing.

Hurley Capital, LLC's Chief Compliance Officer, Jessica Bruno, remains available to address any questions that a client or prospective client has about this Brochure.

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

- A. Hurley Capital, LLC (the “Registrant”) is a New York limited liability company formed in April 2004. Registrant was previously registered as an investment adviser in multiple states, and has been registered with the U.S. Securities and Exchange Commission since June 12, 2008. The Registrant is principally owned by Charles Goldblum and he is its managing member.
- B. As discussed below, the Registrant offers investment management services to its clients. References throughout this brochure to “client” or “clients” refer only to the Registrant’s clients. References throughout this brochure to “investor” refer to investors receiving the Registrant’s services through any separately managed account platform where the Registrant serves as a subadviser.

#### **INVESTMENT MANAGEMENT SERVICES**

Before engaging the Registrant to provide investment management services, clients are required to enter into an Investment Management Agreement with Registrant setting forth the terms and conditions of the engagement. Registrant’s investment management services for its clients include both asset management and general financial planning and consulting services, if specifically requested by a client. The Registrant offers investment management services tailored to the needs of each client, or in cases where it serves as a subadviser, tailored to each investment strategy.

Before providing investment management services, an investment adviser representative will ascertain each client’s investment objectives. The Registrant will use its discretion to allocate a client or investor’s assets consistent with their investment objectives.

The Registrant primarily allocates client and investor accounts using individual equity and debt securities, exchange-traded funds (“ETFs”), options and mutual funds. Once allocated, the Registrant provides ongoing monitoring and review of account performance and asset allocation as compared to each account’s investment objectives, and may periodically rebalance or reallocate an account based upon these reviews.

#### **ROBO ADVISOR PROGRAM (THE “PROGRAM”)**

When consistent with a client’s investment objectives, the Registrant may determine to provide portfolio management services through its “Robo Advisor” portfolio management service (the “Program”). The Program is an automated investment program through which clients are invested in a range of investment strategies the Registrant has constructed and manages, each consisting of a portfolio of ETFs and a cash allocation. The client may instruct the Registrant to exclude up to three ETFs from their portfolio. The client’s portfolio is held in a brokerage account opened by the client at Charles Schwab & Co., Inc. (“CS&Co.”). The Registrant uses the Institutional Intelligent Portfolios® platform (“Platform”), offered by Schwab Performance Technologies (“SPT”), a software provider to independent investment advisors and an affiliate of CS&Co., to operate the Program. The Registrant is independent of and not owned by, affiliated with, or sponsored or supervised by SPT, CS&Co., or their affiliates (together, “Schwab”).

The Registrant, and not Schwab, is the client’s investment adviser and primary point of contact with respect to the Program. As between the Registrant and Schwab, the Registrant is solely responsible, and Schwab is not responsible, for determining the appropriateness

of the Program for the client, choosing a suitable investment strategy and portfolio for the client's investment needs and goals, and managing that portfolio on an ongoing basis. The Registrant has contracted with SPT to provide the Registrant with the Platform, which consists of technology and related trading and account management services for the Program. The Platform enables the Registrant to make the Program available to clients online and includes a system that automates certain key parts of our investment process (the "System"). The System includes an online questionnaire that helps the Registrant determine the client's investment objectives and risk tolerance and select an appropriate investment strategy and portfolio. Clients should note that the Registrant will recommend a portfolio via the System in response to the client's answers to the online questionnaire. The client may then indicate an interest in a portfolio that is one level less or more conservative or aggressive than the recommended portfolio, but the Registrant then makes the final decision and selects a portfolio based on all the information it has about the client. The System also includes an automated investment engine through which the Registrant manages the client's portfolio on an ongoing basis through automatic rebalancing and tax-loss harvesting (if the client is eligible and elects).

The Registrant charges clients a fee for its services as described below under Item 5, Fees and Compensation. The Registrant's fees are not set or supervised by Schwab. Clients do not pay brokerage commissions or any other fees to CS&Co. as part of the Program. Schwab does receive other revenues in connection with the Program, which are described below under Item 5, Fees and Compensation.

The Registrant does not pay SPT fees for the Platform so long as it maintains \$100 million in client assets in accounts at CS&Co. that are not enrolled in the Program. If the Registrant does not meet this condition, then it must pay SPT an annual licensing fee of 0.10% of the value of its clients' assets in the Program. This arrangement presents a conflict of interest, as it provides an incentive for the Registrant to recommend that clients maintain their accounts at CS&Co. Notwithstanding, the Registrant may generally recommend to its clients that investment management accounts be maintained at CS&Co. based on the considerations discussed in Item 12 below, which mitigates this conflict of interest.

Clients enrolled in the Program are limited in the universe of investment options available to them. As a result, clients in the Program generally pay a lesser advisory fee. The Registrant's fee may be higher (or lower) than those charged by other investment advisers offering similar services.

## MISCELLANEOUS

**Limitations of Financial Planning and Non-Investment Consulting Services.** If requested by a client, the Registrant provides general financial planning and consulting services regarding non-investment matters (e.g., estate, tax and insurance planning). The Registrant does not assist clients with the implementation of any financial plan, with the exception of managing a client's investments and potentially obtaining insurance products. Registrant does not serve as a law firm, accounting firm, or insurance agency, and no portion of its services should be construed as legal, accounting, or insurance implementation services. Accordingly, Registrant does not prepare estate planning documents or tax returns.

If requested by a client, Registrant may recommend the services of other professionals for implementation purposes (e.g., attorneys, accountants or insurance agents), including

insurance agents affiliated with the Registrant. The client is under no obligation to engage those professionals. The client retains absolute discretion over all implementation decisions and is free to accept or reject any recommendation from Registrant and its representatives. If the client engages any recommended professional, and a dispute arises regarding that engagement, the client agrees to seek recourse exclusively from and against the other professional. In addition, the Registrant does not monitor a client's financial plan, and it is the client's responsibility to revisit the financial plan with the Registrant, if desired.

**Client Obligations.** The Registrant will not be required to verify any information received from the client or from the client's other professionals and is expressly authorized to rely on the information in its possession. Clients are responsible for promptly notifying the Registrant if there is ever any change in their financial situation or investment objectives so that the Registrant can review, and if necessary, revise its previous recommendations or services. Each investor's investment adviser is responsible for promptly notifying the Registrant if there is ever any change in the investor's financial situation or investment objectives so that the Registrant can review, and if necessary, revise its prior services.

**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.

**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. The Registrant does not maintain or advocate an ESG investment strategy, but will seek to employ ESG if directed by a client to do so.

**Cash Positions.** Registrant continues to treat cash as an asset class. As such, unless determined to the contrary by Registrant, all cash positions (money markets, etc.) shall continue to be included as part of assets under management for purposes of calculating Registrant's advisory fee. At any specific point in time, depending upon perceived or anticipated market conditions/events (there being no guarantee that such anticipated market conditions/events will occur), Registrant may maintain cash positions for defensive purposes. In addition, while assets are maintained in cash, such amounts could miss market advances. Depending upon current yields, at any point in time, Registrant's advisory fee could exceed the interest paid by the client's money market fund.

**Cash Sweep Accounts.** Account custodians generally require that cash proceeds from account transactions or cash deposits be swept into and/or initially maintained in the custodian's sweep account. The yield on the sweep account is generally lower than those available in money market accounts. To help mitigate this issue, Registrant generally purchases a higher yielding money market fund available on the custodian's platform with cash proceeds or deposits, unless Registrant reasonably anticipates that it will utilize the cash proceeds during the subsequent 30-day period to purchase additional investments for the client's account. Exceptions and/or modifications can and will occur with respect to all or a portion of the cash balances for various reasons, including, but not limited to, the amount of dispersion between the sweep account and a money market fund, an indication from the client of an imminent need for such cash, or the client has a demonstrated history of writing checks from the account.

**Retirement Rollovers-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 provides a recommendation as to whether a client should engage in a rollover or not, Registrant is acting as an ERISA fiduciary by making such recommendation. Furthermore, 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. No client is under any obligation to roll over retirement plan assets to an account managed by Registrant.

**Cybersecurity Risk.** The information technology systems and networks that Registrant and its third-party service providers use to provide services to Registrant's clients employ various controls, which are designed to prevent cybersecurity incidents stemming from intentional or unintentional actions that could cause significant interruptions in Registrant's operations and result in the unauthorized acquisition or use of clients' confidential or non-public personal information. Clients and Registrant are nonetheless subject to the risk of cybersecurity incidents that could ultimately cause them to incur losses, including for example: financial losses, cost and reputational damage to respond to regulatory

obligations, other costs associated with corrective measures, and loss from damage or interruption to systems. Although Registrant has established its systems to reduce the risk of cybersecurity incidents from coming to fruition, there is no guarantee that these efforts will always be successful, especially considering that Registrant does not directly control the cybersecurity measures and policies employed by third-party service providers. Clients could incur similar adverse consequences resulting from cybersecurity incidents that more directly affect issuers of securities in which those clients invest, broker-dealers, qualified custodians, governmental and other regulatory authorities, exchange and other financial market operators, or other financial institutions.

**Use of Mutual Funds and ETFs.** The Registrant recommends that clients allocate investment assets to publicly available mutual funds and ETFs that the client could purchase without engaging Registrant as an investment adviser. However, the client or prospective client would not receive the Registrant's initial and ongoing investment management services if it were to purchase those investments on their own.

**eMoney Advisor Platform.** Registrant may provide its clients with access to an online platform hosted by "eMoney Advisor" ("eMoney"). The eMoney platform allows a client to view their complete asset allocation, including those assets that Registrant does not manage (the "Excluded Assets"). Registrant does not provide investment management, monitoring, or implementation services for the Excluded Assets. Unless otherwise specifically agreed to, in writing, Registrant's service relative to the Excluded Assets is limited to reporting only. Therefore, Registrant shall not be responsible for the investment performance of the Excluded Assets.

The client may choose to engage Registrant to manage some or all of the Excluded Assets pursuant to the terms and conditions of an Investment Advisory Agreement between Registrant and the client. The eMoney platform also provides access to other types of information and applications including financial planning concepts and functionality, which should not, in any manner whatsoever, be construed as services, advice, or recommendations provided by Registrant. Finally, Registrant shall not be held responsible for any adverse results a client may experience if the client engages in financial planning or other functions available on the eMoney platform without Registrant's assistance or oversight.

**Subadvisory Relationship.** The Registrant may serve as a subadviser to unaffiliated investment advisers according to the terms and conditions of agreements executed through a separately managed account platform. With respect to its subadvisory services, the unaffiliated investment advisers that engage the Registrant maintain both the initial and ongoing relationship with the client, which includes the initial and ongoing determination of client suitability for the Registrant's investment strategies. If the other adviser or the platform directs the Registrant to use a specific broker-dealer, the Registrant will be unable to negotiate commissions or transaction costs, and as a result will not be responsible for seeking best execution. As a result, investors accessing Registrant's services through the separately managed account platform may pay higher commissions or transaction costs on transactions for their account than would otherwise be the case through alternative clearing arrangements recommended by Registrant. Higher transaction costs adversely impact account performance.

- C. The Registrant provides investment management services specific to the needs of each client. Before providing investment management services, an investment adviser

representative will ascertain each client's investment objectives. The Registrant will use its discretion to allocate a client or investor's assets consistent with their investment objectives. A client, investor or investor's other investment adviser may, at any time, impose reasonable restrictions, in writing, on the Registrant's services. The Registrant will determine, in its sole discretion, whether any requested restriction is reasonable.

- D. The Registrant does not participate in a wrap fee program.
- E. As of February 27, 2023, the Registrant had \$174,241,123 in assets under management on a discretionary basis and \$0 in assets under management on a non-discretionary basis.

## **Item 5 Fees and Compensation**

### **A.**

#### **INVESTMENT MANAGEMENT SERVICES**

The Registrant's non-negotiable annual investment management fee is generally equal to 1.5% of the market value of assets under management.

The Registrant generally imposes a minimum portfolio size of \$250,000 for investment management services. Registrant, in its sole discretion, may charge a lesser investment management fee and/or reduce or waive its minimum portfolio size based upon certain criteria (e.g. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.). Registrant only accepts clients with less than the minimum portfolio size if, in the sole opinion of Registrant, the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. Upon request, or in the Registrant's sole discretion, it may aggregate the portfolios of family members to meet the minimum portfolio size.

The Registrant may also offer to provide investment management services in exchange for a performance-based fee. For those clients, Registrant charges its fees based upon a percentage of the market value of the assets being managed by Registrant ("base fee") in addition to a fee based on the performance of the account ("performance fee"). Registrant's non-negotiable base fee is 1.00% of the market value of the assets under management, and the non-negotiable performance fee is equal to 10.0% of the net performance of the account, subject to a high water mark. Please refer to Item 6 below for more information about these relationships and the associated conflicts of interest.

Clients may make additions to and withdrawals from their account at any time, subject to Registrant's right to terminate an account. To the extent there are inflows in excess of \$50,000 during a billing quarter, the Registrant will calculate a pro-rated credit to be applied to the Client's quarterly fee.

Clients may withdraw account assets on notice to Registrant, subject to the usual and customary securities settlement procedures. However, Registrant designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives.



The Registrant believes that its annual investment management fee is reasonable in relation to: (1) the advisory services provided; and (2) the fees charged by other investment advisers offering similar services. However, Registrant's annual investment advisory fee may be higher than that charged by other investment advisers offering similar services.

### **ROBO ADVISOR PROGRAM**

When consistent with a client's investment objectives, the Registrant may provide portfolio management services through an automated, online investment management platform. Through the Program, the Registrant offers clients a range of investment strategies it has constructed and manages each consisting of a portfolio of exchange traded funds ("ETFs") and a cash allocation. The Registrant's investment management fee for Program accounts shall be based upon a percentage (%) of the market value of the assets placed under the Registrant's management (between 1.0% and .75%) as follows:

<u>Account size</u>	<u>Fee charged at</u>
Amounts from \$100,000 to \$1,999,999	1%
Amounts in excess of \$2,000,000	.75%

As described above, clients do not pay fees to SPT or brokerage commissions or other fees to CS&Co. as part of the Program. Schwab does receive other revenues in connection with the Program. Specifically, Schwab Bank® earns interest revenue on the cash in Program accounts. Also, Schwab affiliates can earn revenue from the underlying assets in Program accounts. This revenue comes from managing Schwab ETFs™ and providing services relating to third-party ETFs that the Registrant may select for the portfolios. Finally, Schwab may receive payments from the trading firms and exchanges where ETF trades are routed for execution.

The Registrant generally requires a minimum asset level of \$100,000.00 to participate in the Program.

### **LIMITED FINANCIAL PLANNING AND NON-INVESTMENT CONSULTING SERVICES**

Registrant may provide financial consultation and consulting services to its investment management clients on investment and non-investment related matters. Registrant's fees are negotiable, but generally range from \$2,500.00 to \$4,000.00 per year on a fixed fee basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s). In most instances, the Registrant provides these services for no additional cost to clients receiving Investment Management Services.

- B. Except for the performance fee, the Registrant will deduct fees or bill clients quarterly in arrears, based upon the market value of the assets on the last day of the previous quarter. We prorate our fees with respect to all additions to a client's account, but make no adjustments for withdrawals. Registrant's performance fee is charged annually, in arrears, based on the net gains of the client's portfolio at the end of the calendar period. Clients may elect to have the Registrant's fees deducted from their custodial account. Both Registrant's Investment Management Agreement and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of the Registrant's fees and to directly remit that 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.

- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, the Registrant will generally recommend that Charles Schwab and Co., Inc., an SEC registered, FINRA and SIPC member broker-dealer ("CS&Co.") serve as the broker-dealer and custodian for client's accounts. Broker-dealers such as CS&Co. charge commissions and transaction fees for effecting certain securities. Clients will also incur fees and expenses of owning investments. Specifically, shareholders of mutual funds and ETF indirectly pay fees and expenses associated with their ownership of these securities, which include management fees. Transactions may be effected through broker-dealers other than the account custodian, and clients generally will incur both the fee (commission, mark-up/mark-down) charged by the executing broker-dealer and a separate "tradeaway" or prime broker fee charged by the account custodian (typically, CS&Co.).
- D. The Investment Management Agreement may be terminated by either party by written notice to the other. Upon termination of the Investment Management Agreement, the Registrant will debit the account or bill the client for the prorated portion of the unpaid advisory fee based upon the number of days that services were provided during the billing quarter.
- E. Neither Registrant, nor its representatives, accepts compensation from the sale of securities. Clients and prospective clients should review Item 10 below for information regarding its representatives services as licensed insurance agents.

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

As indicated in Item 5 above, Registrant charges certain clients and investors a performance-based management fee, as opposed to an asset-based management fee. We include the terms of these arrangements in the investment management agreement we enter into with the applicable client or investor. We only charge performance fees to those clients or investors who are "qualified clients," as defined under the Investment Advisers Act of 1940, as amended.

A conflict of interest exists because we generally charge clients and investors an asset-based fee for the services we provide, but we charge certain clients and investors performance fees. We have an incentive to favor client and investor accounts where we have agreed to charge performance fee, so they perform better and, in turn, we receive more compensation. We have an incentive to take additional risks in the management of a client and investor accounts and to offer investments that we believe will be more profitable to clients and investors with performance fee relationships in order to earn more compensation. We seek to address these conflicts of interest by emphasizing our duty to place the interests of our clients first. In those instances where we charge performance fees to an account, we treat these accounts like other client accounts with similar investment objectives.

## **Item 7            Types of Clients**

The Registrant's clients currently include individuals, high net worth individuals, trusts, estates and charitable organizations. Clients and prospective clients should review Item 5 for information about minimum account requirements.

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

- A. Registrant relies primarily on a macro-driven, fundamental based method of analysis, targeting undervalued sectors and out-of-favor companies with solid fundamentals and attractive valuations. Fundamental analysis involves the fundamental financial condition and competitive position of a company. Registrant will analyze the financial condition, capabilities of management, earnings, new products and services, as well as the company's markets and position amongst its competitors in order to determine the recommendations made to clients. Risks using fundamental analysis may include that while the overall health and position of a company may be good, market conditions may negatively impact the security.

The Registrant allocates investment management assets directed to the Program, on a discretionary basis, among one or more of its asset allocation programs (i.e. Aggressive, Moderately Aggressive, Moderate, and Conservative) as designated through the Program's investment risk analysis process. Registrant's asset allocation strategies have been designed to comply with the requirements of Rule 3a-4 of the Investment Company Act of 1940.

- B. Registrant's investment process focuses first on assessing risk, followed by measurement of upside opportunity. Registrant believes that this value-oriented approach allows them to focus on capital preservation, while still maintaining significant growth potential. In this respect the Registrant may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases – securities held at least a year; and
- Short Term Purchases – securities sold within a year.

**Investment Risk.** Investing in securities involves risk of loss that clients should be prepared to bear, including the loss of principal. 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). While market indices may increase and client account values could benefit as a result, it is also possible that market indices may decrease and account values could suffer a loss. It is therefore important that clients understand investment risks, diversification strategies, and ask Registrant any questions they may have before making any investment decisions.

The Registrant's methods of analysis and investment strategies do not present any significant or unusual risks. However, every method of analysis has its own inherent risks. To perform an accurate market analysis the Registrant must have access to current 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 or profitable investment opportunities.

The Registrant's primary investment strategies 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.

The profitability of a significant portion of Registrant'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 Registrant will be able to predict those price movements accurately.

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 ETFs and mutual funds 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. As such, a mutual fund or ETF client or investor may incur substantial tax liabilities even when the fund underperforms.

Shares of mutual funds are 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 in 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. While clients and investors may be able to sell their ETF shares on an exchange, ETFs generally only redeem shares directly from shareholders 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.

In addition to the fundamental investment strategies discussed above, the Registrant may also implement and/or recommend the use of options strategies, which 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.

Registrant's investment programs may involve above-average portfolio turnover which could negatively impact upon the net after-tax gain experienced by an individual client in a taxable account

- C. Currently, the Registrant primarily allocates client investment assets among individual equities, debt securities, and options; and to a lesser extent, ETFs, and/or mutual funds on a discretionary basis in accordance with the client's designated investment objectives.

## **Item 9           Disciplinary Information**

The Registrant has not been the subject of a disciplinary action.

## **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. Certain of Registrant's representatives are licensed insurance agents. These persons will earn commission-based compensation for selling insurance products, including insurance products they sell to the client. Insurance commissions earned by these persons are separate and in addition to our advisory fees. This practice presents a conflict of interest because persons providing investment advice on behalf of our firm who are insurance agents have an incentive to recommend insurance products to a client for the purpose of generating commissions rather than solely based on the client's needs. However, a client is under no obligation, contractually or otherwise, to purchase insurance products through any person affiliated with the Registrant.
- D. The Registrant does not recommend or select other investment advisors for its clients for which the Registrant receives compensation.

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

- A. The Registrant maintains an investment policy relative to personal securities transactions. This investment policy is part of Registrant's overall Code of Ethics, which serves to establish a standard of business conduct for all of Registrant's Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request. In accordance with Section 204A of the Investment Advisers Act of 1940, the Registrant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Registrant or any person

associated with the Registrant.

- B. Neither the Registrant nor any related person of Registrant recommends, buys, or sells for client accounts, securities in which the Registrant or any related person of Registrant has a material financial interest.
- C. The Registrant and/or representatives of the Registrant may buy or sell securities that are also recommended to clients. This practice may create a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation 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 before those of the Registrant’s clients) and other potentially abusive practices.

The Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Registrant’s “Access Persons.” The Registrant’s securities transaction policy requires that Access Person of the Registrant must provide the Chief Compliance Officer or his/her designee with a written report of the their current securities holdings within ten (10) days after becoming an Access Person. Furthermore, Access Persons must provide the Chief Compliance Officer with a quarterly transaction report, detail all trades in the Access Person’s account during the previous quarter; and on an annual basis, each Access Person must provide the Chief Compliance Officer with a written report of the Access Person’s current securities holdings. However, 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 after the same time as those securities are recommended to clients. This practice creates a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a conflict of interest. As indicated above in Item 11C, 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 the Registrant recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct the Registrant to use a specific broker-dealer/custodian), Registrant generally recommends that investment management accounts be maintained at CS&Co. Before engaging Registrant to provide investment management services, the client will be required to enter into a formal Investment Management 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 CS&Co. (or another 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. 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. Non-Soft Dollar Research and Additional Benefits

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Registrant receives from CS&Co. (and potentially other broker-dealers, custodians, investment platforms, unaffiliated investment managers, vendors, or fund sponsors) free or discounted support services and products. Certain of these products and services assist the Registrant to better monitor and service client accounts maintained at these institutions. The support services that Registrant obtains can include investment-related research; pricing information and market data; compliance or practice management-related publications; discounted or free attendance at conferences, educational or social events; or other products used by Registrant to further its investment management business operations.

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

There is no corresponding commitment made by the Registrant to any broker-dealer or custodian or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products because of the above arrangements.

2. The Registrant does not receive referrals from broker-dealers.

3. Directed Brokerage

The Registrant does not generally accept directed brokerage arrangements (when a client requires that account transactions be 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, the 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 or requires Registrant to effect securities transactions for the client's accounts through a specific broker-dealer, this can cause an account 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.

### **Robo Program Portfolio Requirements**

Client accounts enrolled in the Program are maintained at, and receive the brokerage services of, CS&Co., a broker-dealer registered with the SEC and a member of FINRA and Securities Investor Protection Corporation ("SIPC"). While clients are required to use CS&Co. as custodian/broker to enroll in the Program, the client decides whether to do so and opens its account with CS&Co. by entering into a brokerage account agreement directly with CS&Co. The Registrant does not open the account for the client. If the client does not wish to place his or her assets with CS&Co., then the Registrant cannot manage the client's account through the Program. CS&Co. may aggregate purchase and sale orders for ETFs across accounts enrolled in the Program, including both accounts for our clients and accounts for clients of other independent investment advisory firms using the Platform.

Schwab Advisor Services™ (formerly called Schwab Institutional) is CS&Co.'s business serving independent investment advisory firms like the Registrant. Through Schwab Advisor Services, CS&Co. provides the Registrant and its clients, both those enrolled in the Program and clients not enrolled in the Program, with access to its institutional brokerage services— trading, custody, reporting, and related services— many of which are not typically available to CS&Co. retail customers. CS&Co. also makes available various support services. Some of those services help us manage or administer our clients' accounts, while others help us manage and grow our business. CS&Co.'s support services described below are generally available on an unsolicited basis (we don't have to request them) and at no charge to us. The availability to us of CS&Co.'s products and services is not based on us giving particular investment advice, such as buying particular securities for our clients. Here is a more detailed description of CS&Co.'s support services:

CS&Co.'s institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through CS&Co. include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. CS&Co.'s services described in this paragraph generally benefit the client and the client's account.

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



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

CS&Co. also offers other services intended to help the Registrant manage and further develop our business enterprise. These services include:

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

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

The availability of services from CS&Co. benefits the Registrant because the Registrant does not have to produce or purchase them. The Registrant does not have to pay for these services, and they are not contingent upon us committing any specific amount of business to CS&Co. in trading commissions or assets in custody. With respect to the Program, as described above under Item 4 Advisory Business, we do not pay SPT fees for the Platform so long as we maintain \$100 Million in client assets in accounts at CS&Co. that are not enrolled in the Program. In light of our arrangements with Schwab, the Registrant has an incentive to recommend that clients maintain their accounts with CS&Co. based on its interest in receiving Schwab's services that benefit its business rather than based on the client's interest in receiving the best value in custody services and the most favorable execution of transactions. This is a conflict of interest. The Registrant believes, however, that its selection of CS&Co. as custodian and broker is in the best interests of its clients. This belief is primarily supported by the scope, quality, and price of CS&Co.'s services and not Schwab's services that benefit only the Registrant.

The Registrant's Chief Compliance Officer, Jessica Bruno, 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. The Registrant shall not receive any additional compensation or remuneration as a result of such aggregation.

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

- A. For those clients to whom Registrant provides investment supervisory services, account reviews are conducted on an ongoing basis by the Registrant's principals or investment adviser representatives. All investment supervisory clients are advised that it remains their responsibility to advise the Registrant of any changes in their investment objectives 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 and/or electronic 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. See Item 12.A.1 above for a discussion about the benefits that the Registrant receives from Schwab and potentially other broker-dealers and custodians.
- B. If a client is introduced to the Registrant by a 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 referral fee is paid solely from the Registrant's investment advisory fee, and will not result in any additional charge to the client.

### **Item 15      Custody**

The Registrant shall have written authorization granting it 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 management services on a discretionary or non-discretionary basis. Before the Registrant assumes discretionary authority over a client's account, the client shall be required to execute an Investment Management Agreement granting the Registrant full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client or investor's account.

A client, investor or investor's other investment adviser may, at any time, impose reasonable restrictions, in writing, on the Registrant's services. The Registrant will determine, in its sole discretion, whether any requested restriction is reasonable.

## **Item 17 Voting Client Securities**

Registrant may vote client securities (proxies) on behalf of its clients. When Registrant 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 described in Registrant's Proxy Voting Policies and Procedures, all proxies will be voted consistent with guidelines established and described in Registrant's Proxy Voting Policies and Procedures, as they may be amended from time-to-time. Clients may contact Registrant to request information about how Registrant voted proxies for that client's securities or to get a copy of Registrant's Proxy Voting Policies and Procedures. A brief summary of Registrant's Proxy Voting Policies and Procedures is as follows:

- Registrant 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 Registrant'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, Registrant devotes an appropriate amount of time and resources to monitor these changes.
- Clients cannot direct Registrant's vote on a particular solicitation but can revoke Registrant's authority to vote proxies.

In situations where there may be a conflict of interest in the voting of proxies due to business or personal relationships that Registrant maintains with persons having an interest in the outcome of certain votes, Registrant 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.

Program clients are required to submit an Issuer Communication and Release Information Form, or similarly named form, to be certain that they receive proxies and corporate actions directly from the issuer of securities. The Registrant does not offer any consulting assistance regarding proxy issues to client.

The Registrant will not be responsible and each client or investor has the right and responsibility to take any actions with respect to any legal proceedings, including without limitation, bankruptcies and shareholder litigation, and the right to initiate or pursue any legal proceedings, including without limitation, shareholder litigation, including with respect to transactions, securities or other investments held in the client or investor's account or the issuers thereof. Registrant is not obligated to render any advice or take any action on a client or investor's behalf with respect to securities or other property held in their account, or the issuers thereof, which become the subject of any legal proceedings, including without limitation, bankruptcies and shareholder litigation, to which any securities or other investments held or previously held in the account, or the issuers thereof, become subject. In addition, Registrant is not obligated to initiate or pursue any legal proceedings, including without limitation, shareholder litigation, on behalf of a client or investor's account, including with respect to transactions, securities or other investments held or previously held, in the client's account or the issuers thereof.

## **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.