

**Firm Brochure**  
(Part 2A of Form ADV)

**Fountainhead Capital Management, LLC**

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March 22, 2023

This brochure provides information about the qualifications and business practices of Fountainhead Capital Management, LLC ("**Fountainhead**" or the "**Firm**"). If you have any questions about the contents of this brochure, or to request a copy, please contact Robert Klotz at: (732) 346-1900, or by email at: [robert@fountainhead-advisors.com](mailto:robert@fountainhead-advisors.com)..

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "**SEC**"), or by any state securities authority. Additional information about the Firm is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Registration as an investment adviser does not imply a certain level of skill or training.

## **Item 2 - Material Changes**

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We use this section to notify clients of material changes made to this disclosure Brochure between annual updates. We deliver a summary of these changes, or a copy of our updated Brochure, every year within 120 days of our December 31 year-end.

Since filing our last annual updating amendment in March of 2022, we have made the following material changes to this Brochure:

We have clarified that a Reporting & Administration Fee is charged only in certain legacy client arrangements and that the total fee, including any Reporting & Administration Fee, will not exceed the maximum advisory fees described in the firm's standard schedule. We have also removed the separate fixed income fee schedule as this does not apply to our accounts. See Item 5 for more information concerning our advisory fees.

In connection with Charles Schwab & Co., Inc.'s ("Schwab") acquisition of TD Ameritrade, Inc., ("TD") we are no longer recommending TD as custodian and broker. We have been notified by Schwab that they plan to transition all existing TD accounts to Schwab in the 3<sup>rd</sup> quarter of 2023. See Item 12 for more information.

We encourage clients and prospective clients to review this Brochure carefully.

**Item 3 – Table of Contents**

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#### **Item 4 – Advisory Business**

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Fountainhead Capital Management, LLC ("Fountainhead," "we," "our," "us"), doing business as "Fountainhead Advisors," is an SEC registered investment adviser with its principal place of business located in Warren, NJ.

Fountainhead provides financial planning, investment management, and pension consulting services to its clients. The firm has been registered as an investment adviser since March 2011 and is principally owned by Marc B. Rock, Scott H. Silver, and Joseph Halpern. These three owners also manage and control our affiliates, Fountainhead AM, LLC, and Fountainhead Retirement Services LLC, through their collective equity positions. See Item 10 for additional information.

Prior to engaging Fountainhead to provide any investment advisory services, clients enter into one or more written agreements with us ("Agreement") that detail specific aspects of the relationship, including the services to be provided and the associated fees.

##### Financial Planning Services

Fountainhead may provide clients with a broad range of comprehensive financial planning services. Our financial planning is tailored to the individual needs of the client, and may include retirement planning, education planning, budgeting, cash flow and business planning, review of insurance, or recommendations for portfolio customization. We occasionally provide financial planning services on a stand-alone basis.

In performing planning services, we typically obtain information from the client or from the client's other professionals (e.g., attorney, accountant, etc.) concerning financial data, goals, and resources. While we ask questions about the information and make a point of understanding the client's situation, we do not independently verify the accuracy of the data provided to us.

We often recommend that planning clients engage us for additional related services, such as implementation of financial plans, purchase of insurance (if applicable), and ongoing management of client assets (see Investment Management, below). A conflict of interest exists when we recommend our own services, or the use of insurance agents associated with Fountainhead. Clients are under no obligation to act on any of the financial planning recommendations we make or to engage us for additional services.

##### Investment Management Services

Clients may engage Fountainhead to manage all or a portion of their assets on a discretionary or non-discretionary basis. Most of our client relationships are discretionary and we believe this structure permits us to implement our investment models and strategies more efficiently.

- Discretionary. Fountainhead manages separate accounts with full discretion to invest a client's assets subject to the client's objectives and needs, and also subject to any guidelines or special instructions identified in the Agreement. Our discretionary authority permits us to delegate discretion on all or a portion of a client's assets to third party investment managers ("Sub-Advisors") as further described below. Most client management is performed by our affiliated investment advisor, Fountainhead AM, LLC ("FAM").

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- Non-Discretionary. Fountainhead may also provide advisory services to separately managed accounts of clients on a non-discretionary basis, including to the IRA and 401K accounts of individuals. With respect to our non-discretionary asset management services, we generally maintain ongoing responsibility to make recommendations, based upon the needs of the client, as to the specific securities the account may purchase or sell. The final decision on investment selection rests with the client in this arrangement and the client always maintains asset control.

Non-discretionary investment management services can negatively impact client accounts if Fountainhead is unable to contact clients during sudden negative market conditions.

We may also render non-discretionary investment management services to clients relative to variable life/annuity products that they may own, their individual employer-sponsored retirement plans, and/or 529 plans or other products. In doing so, we recommend the allocation of client assets among the investment options available with the product. Client assets are maintained at the specific insurance company or custodian designated by the product.

Depending on client status as a discretionary or non-discretionary account, we will either recommend (non-discretionary) or allocate (discretionary) client assets among Sub-Advisors (as described below), mutual funds, and exchange-traded funds ("**ETFs**"). As appropriate for the client, we may also incorporate other types of securities in our management strategy and may provide advice about any type of legacy investment held in clients' portfolios.

We ask clients to promptly notify us if there are changes in their financial situation or investment objectives, or if they wish to impose any reasonable restrictions upon our management services.

Use of Sub-Advisors

As mentioned above, and based on the stated investment objectives of the client, Fountainhead may authorize [for discretionary accounts] or recommend [for non-discretionary accounts] that clients authorize the active discretionary management of a portion of their assets by and/or among affiliated (FAM) and unaffiliated investment managers (collectively, "**Sub-Advisors**") through our investment platform. The terms and conditions under which the client engages Sub-Advisors are described in our Agreement with the client. In some cases, a given manager may enter into a direct relationship with the client, but this is unusual.

Primary management of all Fountainhead client assets is handled through our relationship with FAM, our affiliated investment advisor. Fountainhead monitors and reviews the account performance and the client's investment objectives, and maintains ongoing authority to hire and terminate Sub-Advisors or to allocate more or less of a client's total assets to Sub-Advisors, including FAM. We receive an annual advisory fee based on a percentage of value of total assets managed. We pay a portion of our advisory fee to FAM. Other Sub-Advisor(s) assess separate fees for their services, in addition to what Fountainhead charges. All fees are described in the Agreement.

We manage client assets through the use of model portfolios and investment strategies ("Strategies") focused on specific objectives. We rebalance client portfolios regularly in light of market dynamics, to maintain a certain market exposure or take advantage of perceived opportunities.

We do not intend to routinely select unaffiliated Sub-Advisors going forward, but will review information about and monitor the services of previously-selected Sub-Advisors who continue to manage our client

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assets. Where appropriate for a given client, our affiliate, FAM, will conduct due diligence and select Sub-Advisors on our behalf. When selecting or overseeing other Sub-Advisors FAM reviews information such as the Sub-Advisors' Brochures and other material they supply. FAM evaluates the Sub-Advisors' investment strategies, past performance and risk results to the extent available. Factors that we consider in recommending Sub-Advisors include the client's stated investment objectives, the Sub-Advisor's management style, performance, reputation, financial strength, reporting, pricing, and research. Clients will be charged additional fees for any Sub-Advisors used. The specific range of fees is described in the Agreement.

In addition to Fountainhead's and FAM's Brochure, we also provide Brochures for any unaffiliated Sub-Advisors we use. Some Sub-Advisors may impose more restrictive account requirements or have different billing practices than Fountainhead. In such instances, Fountainhead may alter its corresponding account requirements and/or billing practices to accommodate those of the Independent Managers.

Use of Affiliated Funds

We anticipate that our Strategies, or those employed by FAM, will make some use of mutual funds advised or sub-advised by Exceed Advisory, LLC. See information concerning the conflicts this presents, as well as the related fees, in Items 5 and 10, below. We permit clients to direct us not to use any of these funds in their Accounts.

Pension Consulting

Fountainhead offers pension consulting services to employers. We will assist employers in developing defined benefit and defined contribution retirement plan solutions, which may include an evaluation of the qualified retirement plan's fiduciary compliance program, recordkeeping and third-party administrative services, development of an investment policy statement, employee communication and education program, and retiree consulting services. Fountainhead may also provide investment management services to retirement plans, which includes the implementation and management of the plan assets.

Important Information for Retirement Investors

When we recommend that you rollover retirement assets or transfer existing retirement assets (such as a 401(k) or an IRA) to our management, we have a conflict of interest. This is because we will generally earn additional revenue when we manage more assets. In making the recommendation, however, we do so only after determining that the recommendation is in your best interest. Further, in making any recommendation to transfer or rollover retirement assets, we do so as a "fiduciary," as that term is defined in ERISA or the Internal Revenue Code, or both. We also acknowledge we are a fiduciary under ERISA or the Internal Revenue Code with respect to our ongoing investment advisory recommendations and discretionary asset management services, as described in the advisory agreement we execute with you. To the extent we provide non-fiduciary services to you, those will be described in the advisory agreement.

Tailored Advice and Client Restrictions

We implement our advice or formulate planning recommendations based on individual client needs and it is important that clients notify us promptly of any change in their financial situation or investment objectives. We consult with clients initially and on an ongoing basis to determine risk tolerance, time horizon and other factors that may impact the clients' investment needs. 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 Fountainhead's sole discretion, the conditions will not materially impact the performance of a portfolio strategy or prove overly burdensome for Fountainhead to administer.

#### Sponsor / Manager of Wrap Program

Fountainhead is not a sponsor or manager of a wrap fee program.

#### Assets Under Management

As of December 31, 2022, Fountainhead had approximately \$474.6 million in discretionary assets under management and approximately \$32 million in non-discretionary assets under management.

### **Item 5 – Fees and Compensation**

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Fountainhead offers its services on a fee basis, which may include fixed fees as well as fees based upon assets under management. Many of the individuals associated with us maintain other financial industry affiliations that generate additional revenue to them. This can create a conflict of interest; more information about the conflicts, and how we mitigate them, appears below.

#### Financial Planning and Pension Consulting Fees

Fountainhead charges a fixed fee for financial planning or pension consulting services. These fees are negotiable, but generally range between \$2,500 to \$15,000, depending on the level and scope of the services and the professional providing the financial planning or pension consulting services. In some cases, fees may be higher or lower than the range shown, but our most common initial planning fee is approximately \$2,500. The applicable fees are detailed in the Agreement.

As part of the planning engagement, we may recommend that clients engage Fountainhead for ongoing asset management, or that the client purchase insurance products through Fountainhead representatives who are also insurance licensed. Following these recommendations will result in Fountainhead and our representatives earning more compensation. Clients are never obligated to implement our advice through Fountainhead or its representatives.

Prior to engaging us to provide financial planning or pension consulting services, the client is required to enter into a written agreement setting forth the terms and conditions of the engagement. We generally require one-half of the fee, payable upon our acceptance of the Agreement. The balance is typically due upon delivery of the financial plan or completion of the agreed services.

#### Fees for Investment Management Services

Fountainhead provides investment management services for an annual fee based on a percentage of the market value of the assets under management ("Advisory Fee"). Our Advisory Fee is exclusive of, and in addition to, brokerage commissions, transaction fees, and other related costs and expenses incurred by the client, such as miscellaneous fees or charges by the custodian for services such as wiring fees, fees for portfolio transactions executed away from the custodian or not pursuant to an asset-based brokerage fee, dealer mark-ups, electronic fund and wire transfers, spreads paid to market-makers and exchange fees. Fountainhead does not receive any portion of these commissions, fees, and costs. See Item 12, Brokerage Practices, for additional information about these costs.

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Our Advisory Fee is prorated for partial quarters and charged quarterly, in advance, based upon the market value of the assets under our management on the last day of the previous quarter, as reported by the qualified custodian holding the assets. Fountainhead does not value assets for fee billing purposes. The annual Advisory Fee varies depending on the market value of the assets under management and the type of investment management services to be rendered.

**Primary Advisor Fee Schedule**

| <b>Assets Under Management</b>       | <b>Annual Advisory Fee</b> |
|--------------------------------------|----------------------------|
| First \$250,000                      | Up to 1.45%                |
| Next \$250,000                       | Up to 1.35%                |
| Next \$500,000                       | Up to 1.25%                |
| Next \$1.5 million                   | Up to 1.15%                |
| Additional assets over \$2.5 million | Up to 1.05%                |

FAM provides direct management services for most of our clients and receives a negotiated portion of the above fee. The fees we pay to FAM are deducted from our Advisory Fee, not charged in addition to it. We do, however, disclose in the Agreement the specific amount retained by Fountainhead and the amount paid to FAM.

Fountainhead may choose to negotiate any of our own fees, including Advisory Fees for Investment Management Services, and Reporting & Administrative Fees. The actual fees agreed to with a given client is specified in the Agreement.

Fees for unaffiliated Sub-Advisors may or may not be negotiable, but typically are not. In most cases, the Sub-Advisors used have agreed to a specified rate for Fountainhead clients and further negotiation is not an option. While we retain the right to negotiate or not negotiate lesser fees, in our sole discretion, the factors we usually consider include type of account, 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.

Reporting & Administrative Fees

Certain legacy clients are charged a Reporting & Administrative fee of up to \$150 per account. In all instances where we charge such a fee, the overall household fee, inclusive of the Reporting & Administrative fee, is equal to or below the above stated maximum Primary Advisor Fee schedule.

Sub-Advisory Fees

As previously described, we engage third party Sub-Advisors to provide discretionary asset management services to our clients. Where we allocate assets to FAM, we re-allow a portion of our Advisory Fee to FAM. For all other Sub-Advisors, an additional and separate asset-based fee applies. Because different Sub-Advisors charge different fees, and because we may allocate to those Sub-Advisors in different proportions over time, unaffiliated Sub-Advisory Fees will vary quarter-to-quarter. We provide more detail about Sub-Advisory Fees in the Agreement, but the standard range is .10% - 1.0%.

We will typically deduct Sub-Advisory Fees directly from client accounts and pay them to the Sub-Advisor as a pass-through.



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Allocating client assets to unaffiliated Sub-Advisors (for whom an additional fee is assessed), rather than to FAM (who receives part of our fees), would result in Fountainhead's retaining 100% of its own advisory fees. This gives us a financial incentive to use unaffiliated Sub-Advisors, which would increase overall fees to clients. Our business model, however, is based on an assumption that we can achieve efficiencies of scale and better client service by using FAM to provide asset management to both Fountainhead and other investment advisors (see FAM's Brochure for more information). Our intention is to allocate to FAM despite the additional costs Fountainhead may incur. We expect that costs to Fountainhead will be lower as FAM adds advisor clients and additional assets under management. Accordingly, we believe that our long-term financial interests are aligned with client interests in obtaining high-quality services at a reasonable price.

#### Fees for Affiliated Funds

Where their use would be appropriate to better meet client objectives, we will employ funds advised or sub-advised by Exceed Advisory LLC ("Exceed"). Exceed is related to Fountainhead and is an affiliate of FAM's through common ownership by our Chief Investment Officer, Joseph Halpern, and by our Managing Partner, Marc Rock, as described in Item 10. A conflict of interest exists when Fountainhead or FAM selects Exceed-advised funds ("Affiliated Funds"), since Exceed is entitled to management fees from the Affiliated Funds based on their average daily net asset value. To the extent selection of the Affiliated Funds by Fountainhead or FAM increases the Affiliated Funds' aggregate net asset values, this could generate additional revenue for Exceed and its owners. An increased asset base could also lower overall trading and management costs for the Affiliated Funds and increase the likelihood of Exceed's collecting its own management fees (see below concerning the contractual cap on fees). This creates a conflict of interest which we mitigate by limiting use of the Affiliated Funds in FAM's total allocation to a maximum 7% position within a model portfolio; and by using the Affiliated Funds only where doing so supports the investment objectives and strategies of the models. We also permit clients to direct us not to use any Affiliated Funds in their Accounts. As of 12/31/2022, Fountainhead clients made up approximately 25% of the assets held in the Affiliated Funds.

The different Affiliated Funds' adjusted expenses, including management fees, are contractually capped at amounts between 1.23% and 1.48% of Affiliated Fund assets. Those contracts are set through October 31, 2023, and may be extended. As of 12/31/2022, net expense was 1.31% for the Institutional Share class. Please refer to the Affiliated Funds' prospectuses for full details regarding the Affiliated Funds' services and fees.

The Advisory Fee is assessed on all assets, including the Affiliated Funds.

#### Other Fees

Fountainhead's Advisory Fees are exclusive of and in addition to brokerage commissions, transaction fees, and other related costs and expenses incurred by the client. Clients may incur certain charges imposed by the custodians, executing brokers, and other third parties, 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) and expressed as part of the fund's expense ratio, 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. Clients are responsible for the payment of these costs and expenses. Fountainhead will not receive any portion of these commissions, fees, or costs.

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See Item 10 for additional information on Fountainhead's insurance activities and the commissions and other compensation paid to the firm and its representatives in connection with insurance recommendations.

Registered Representatives of a Broker-Dealer

Fountainhead's advisory representatives may also be registered with an unaffiliated broker-dealer (referred to as "dually-licensed representatives"). Please see the advisor's ADV 2B Brochure Supplement for details. We do not permit dually-licensed representatives to earn brokerage commissions on transactions they recommend to advisory clients. In some cases, however, previously-purchased client assets that pay a trailing commission are transferred to Fountainhead and those assets are retained. If the dually-licensed representative is listed as the "broker of record" for those assets, the unaffiliated broker-dealer will receive the trailing commissions and pay out a portion of those to the dually-licensed representative. Fountainhead does not assess advisory fees on assets paying a trailing commission.

Fee Debit

The Fountainhead Agreement and a separate agreement with the account custodian, or other third-party platform providers, may authorize Fountainhead, FAM, or Sub-Advisors to debit a client's account for the amount of Fountainhead's Advisory Fee and any Sub-Advisory Fees and to directly remit the fees to Fountainhead or to the Sub-Advisors. Any custodians we recommend have agreed to send statements to clients, at least quarterly, indicating all amounts disbursed from the account, including the amount of Advisory Fees or Sub-Advisory Fees paid directly to Fountainhead or any Sub-Advisors.

Fees for Management During Partial Quarters of Service

For the initial period of investment management services, the fees are calculated on a *pro rata* basis from the date we began managing the assets. Intra-quarter cash flows of at least \$5,000 will result in pro-rata refunds (for outflows) or charges (for inflows) based on the value of the Account on the date of the inflow or outflow and the number of days remaining in the quarter from the date of the inflow or outflow.

The Agreement between Fountainhead and the client will continue in effect until terminated by either party under the terms of the Agreement. Fountainhead's fees, as well as any pre-paid Sub-Advisory 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 accounts at any time, subject to Fountainhead's right to terminate an account. Additions may be in cash or securities provided that we reserve the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets, subject to usual and customary securities settlement procedures. However, Fountainhead designs its portfolios as long-term investments, and the withdrawal of assets may impair clients' ability to achieve their investment objectives. As needed, we will consult with clients about options for and ramifications of transferring securities. Clients should be aware 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.

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

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Fountainhead 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**

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We provide services to individuals, pension and profit-sharing plans, individual IRA and 401K accounts, trusts, estates, charitable organizations, corporations and business entities.

### Minimums Imposed by Sub-Advisors

We do not impose a minimum portfolio size or minimum annual fee. Some of the Sub-Advisors we use may, however, impose more restrictive account requirements than Fountainhead. In such instances, Fountainhead will follow the Sub-Advisor's minimum and will not select that Sub-Advisor for any client not meeting the minimum.

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

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### Methods of Analysis and Investment Strategy

Fountainhead primarily uses a strategic approach with a tactical overlay as its primary method of analysis, but may also incorporate aspects of fundamental and technical analysis. As a general philosophy, we value protecting client portfolios against the downside over capturing an upside swing. There is no guarantee that any investment philosophy or strategy will either achieve a specific level of performance or prevent loss; all investing involves risk that clients must be prepared to bear.

Fundamental analysis involves the fundamental financial condition and competitive position of a company. Fountainhead 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. The primary risk in using fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security.

Technical analysis involves evaluation of past market data rather than specific company data in determining the recommendations made to clients. Technical analysis may involve the use of charts to identify market patterns and trends, which could, for example, be based on investor sentiment rather than the fundamentals of the company. The primary risk in using technical analysis is that spotting historical trends may not help to predict such trends in the future. Even if the trend eventually recurs, there is no guarantee that we will be able to accurately predict such a recurrence.

For accounts invested directly by Fountainhead/FAM, we primarily use mutual funds and ETFs, but may also incorporate individual equity or fixed income securities. When selecting funds or ETFs, we consider a variety of factors, including the fund manager's tenure, investment strategy, and/or overall career performance. For individual securities, other factors will apply; see the information on equities and fixed income securities below.

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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 if 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.

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 actively managed ETFs and more frequently for index-based 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.

Use of Sub-Advisors

Fountainhead or FAM may in some cases recommend the use of unaffiliated Sub-Advisors for certain clients. Some clients may also choose to stay with Sub-Advisors we recommended previously. Unless we otherwise notify clients, we will continue to conduct limited ongoing due diligence of previous managers. We or FAM will also conduct due diligence on new Sub-Advisors but our recommendations rely, to a great extent, on the Sub-Advisors' ability to successfully implement their investment strategies. In addition, we do not have the ability to supervise Sub-Advisors on a day-to-day basis. There may be other third-party money managers that may be suitable for a client and that may be more or less costly than the Sub-Advisors we select.

General Risk of Loss

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss. All investment programs have certain risks that are borne by the investor. No guarantees can be made that a client's financial goals or objectives will be achieved. Further, no guarantees of performance can be offered. Our investment approach keeps the risk of loss in mind. Investors face the following investment risks:

- Interest-rate Risk: Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- Market Risk: The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.

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- Inflation Risk: When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- Currency Risk: Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- Reinvestment Risk: This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- Business Risk: These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. Conceptually, they carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- Environmental, Social, Governance ("ESG") Risk: Corporate governance practices, the risks of environmental damage or disasters (whether connected to an issuer's own practices or independent of them, such as extreme weather events), and the risks of social factors, such as racial and gender discrimination, are wide-ranging and increasingly understood to affect investment decisions and results. We do not generally invest with an eye toward ESG factors on their own merit, but rather because these factors can, in some cases, affect the financial performance of companies and, in turn, the performance of those companies' securities. We may include ESG factors we believe are important in evaluating companies, based on the industry, the company itself, and emerging consensus on areas that generally merit attention. ESG factors are in many ways subjective. We may not identify all applicable ESG concerns, and our subjective judgment of the most important factors, or their potential impact on financial performance, may be incorrect. Further, in evaluating these issues, we must often rely on corporate self-reporting, which is inherently biased. Third-party ratings and reports are increasingly available, though they are, to varying degrees, subject to the same limitations with respect to subjective judgment and reliance on corporate self-reporting.
- Liquidity Risk: Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not. Certain instruments may have no readily available market or third-party pricing. Structured notes and interval funds usually have a limited secondary market and are often relatively illiquid. Reduced liquidity may have an adverse impact on market price and the ability to sell particular securities when necessary to meet cash needs or in response to a specific economic event, such as the deterioration of creditworthiness of an issuer. Reduced liquidity in the secondary market for certain securities may also make it more difficult to obtain market quotations based on actual trades for the purpose of valuing the security. Clients should invest in structured notes, private securities, and other illiquid (or relatively illiquid) assets only to the extent they have adequate other liquid assets available to fund current and ongoing cash requirements.
- Financial Risk: Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and

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

- Systemic Risk: Risks inherent to the entire market or market segment. Systemic risk is also known as "undiversifiable risk," and affects the overall market, not just a particular stock or industry. This type of risk is both unpredictable and impossible to completely avoid.
- Third Party Risk: It is not uncommon for companies to maintain myriad third-party relationships in an effort to reduce costs, increase efficiency and focus more intently on core competencies. However, while businesses seek to gain a competitive and operational advantage through these relationships, they are also exposing themselves to an increasing level of risk. At the same time, however, it is becoming increasingly difficult for businesses to maintain the necessary controls for mitigating the risks associated with these relationships. Failure to manage these risks can expose a business to regulatory action, financial loss, litigation, and reputational damage, and may even impair the institution's ability to establish new or service existing customer relationships.

For those clients choosing to invest in alternative investments, such securities come with additional substantial risks as they are speculative in nature. They may not be registered or regulated under any laws, should be considered illiquid investments, are not freely transferable, may be highly leveraged, may be volatile, and may involve higher fees and expenses than other types of investments. Alternative investments may not be immediately redeemable. Alternative investments such as hedge funds only permit redemptions at specified time periods and in specified advanced notice. As a result, the client may be required to hold alternative investments in its account after termination of this or the Agreement.

#### Risks Associated with Securities and Other Investments

- Absolute Investment Strategies seek to achieve a positive return regardless of the condition of the overall market. These strategies may have returns that perform substantially less well than the overall market depending upon the skill of the portfolio manager.
- Commodities have risk in that they are affected by global supply and demand; domestic and foreign interest rates; political, economic, financial events, or natural disasters; regulatory and exchange position limits; and concentration within a commodity.
- Derivatives. Investments in derivatives, or similar instrument, including but not limited to, options, futures, options on futures, forwards, participatory notes, swaps, structured securities, tender-option bonds and derivatives relating to foreign currency transactions, which can be used to hedge a portfolio's investments or to seek to enhance returns, entail specific risks relating to liquidity, leverage and credit that can reduce returns and/or increase volatility. Losses in a portfolio from investments in derivative instruments can result from the potential illiquidity of the markets for derivative instruments, the failure of the counterparty to fulfill its contractual obligations, the portfolio receiving cash collateral under the transactions and some or all of that collateral being invested in the market, or the risks arising from margin posting requirements and related leverage factors associated with such transactions. In addition, many jurisdictions continue to review practices and regulations relating to the use of derivatives, or similar instruments. Such reviews could make such instruments more costly, limiting the availability of,

or otherwise adversely affecting the value or performance of such instrument. We generally achieve alternative investment exposure (which can represent a significant part of a client's portfolio where we think it is appropriate) through investments in structured notes and investments in alternative strategy mutual funds.

- Exchange Traded Funds may not accurately track their underlying index and may not have liquidity under severe market conditions. Further, the securities held by the ETF entail the risks of those underlying holdings, such as stocks or fixed income securities.
- Exchange Traded Notes are unsecured debt instruments subject to risk of default by the issuing bank (counterparty risk) as well as market risk. Exchange traded notes may fail to track the index they are designed to track as well as being negatively impacted by a decline in the credit rating of the issuer. They may lack liquidity under severe market conditions.
- Fixed Income securities may be affected by interest rate risk as increases or decreases in interest rates occur and also by credit risk in that issuers may not make payment on the securities. Because the prices of fixed income securities tend to fall when prevailing interest rates rise, fixed income securities – especially those with longer-term maturities – may drop significantly in value in the event interest rates rise steeply or unexpectedly.
- High Yield Fixed Income (Bond) Securities invest in securities that are considered speculative and are susceptible to default or decline in value due to adverse economic and business developments. These securities often combine some of the risks of the equity markets (business risk, for example), as well as the risks of fixed income securities.
- Interval Funds are closed-end mutual funds that don't offer daily liquidity and have no history of public trading. Instead, the sponsor intends to offer to repurchase fund interests quarterly, at the then-current net asset value, but is not obligated to do so. Further, even if the sponsor makes a quarterly repurchase offer, there's no guarantee that the client will be able to sell as many shares as the investor would like to sell. Accordingly, these should be considered long-term investments. These funds also may invest in underlying securities that have varying degrees of risk, including use of non-investment grade securities, and non-performing loans. Further, the operating and management expenses of the funds may be higher than other income-focused funds. Those expenses are deducted directly from the fund's value and must be paid before an investor receives any return.
- Mutual Funds are subject to risks related to the manager's ability to achieve the strategy's objective and market conditions affecting the assets held by the fund. Depending on their holdings, they also entail the other risks discussed in this section, such as those related to stocks or fixed income securities.
- Options involve leverage and special risk considerations. Use of options entails the potential for significant losses and significantly increased portfolio volatility.
- Sectors may be subject to risk when a substantial portion of assets are devoted to a particular market sector or industry thereby having the potential of greater volatility than with broadly

diversified strategies. A market sector or industry may underperform the market as a whole for a variety of reasons.

- Stocks have risk in that their returns and the principal invested in them is not guaranteed, and they are subject to changing market conditions. They may decline in price significantly over short or extended periods in relation to overall market movement or due to factors affecting a segment of the market or factors affecting an individual company, such as a poor earnings report. Small stocks are more volatile than large stocks and are subject to significant price fluctuations and may be thinly traded.
- Structured Notes are unsecured debt obligations of the issuer (usually a large investment bank) that also employ an embedded derivative feature. This means they combine some of the features and risks of debt, as well as some of the features and risks of derivatives. The issuer is obligated to make payments on the notes as promised, which may include repayment of principal at specified amounts, as well as identified returns beyond principal, depending on the terms of the specific structured note. Investors are subject to credit risk in the event of default by the issuer, and could lose their principal or the stated return. Structured note returns are usually related to the performance of some linked asset or index. Depending on what the linked asset or index is, the market risk of the structured note may include changes in equity or commodity prices, changes in interest rates or foreign exchange rates, or market volatility. It's important to understand the terms of the note, especially how upside potential may be capped and the extent to which downside risk is reduced, as well as the costs associated with those features. After issuance, structured notes do not trade regularly and are difficult to value given their complexity. Accordingly, an investor's ability to trade or sell structured notes in the secondary market is often very limited. Because they're illiquid, clients should be prepared to hold a structured note to its maturity date, or risk selling the note at what could be a substantial discount to its value if held to maturity. Structured products typically do not pass through or reinvest any dividend or distribution that may be paid to direct holders of the underlying asset. Therefore, if the dividend or distribution on the underlying asset increases, it becomes less attractive to own the structured product as compared to directly owning the underlying asset. This will negatively affect the value of the structured product. Structured notes may have complicated payoff structures that can make it difficult for clients to accurately assess their value, risk and potential for growth through the term of the structured note. Determining the performance of each note can be complex and this calculation can vary significantly from note to note depending on the structure. If a structured note has a call (early redemption) provision and the issuer calls (redeems) it early, investors may not be able to reinvest their money at the same rate of return. Similarly, the issuer's decision to call the securities early could result in lower returns than originally anticipated. An issuer would usually choose to call the note because doing so is financially beneficial to the issuer, rather than to the investor. The tax treatment of structured notes is complicated and, in some cases, uncertain. For example, it's possible an investor would be required to pay ordinary income taxes prior to the note's maturity. The preliminary prospectus for the structured note will contain a tax summary describing what the issuer reasonably believes are the potential U.S. federal income tax consequences of investing in the product, which is based on advice of their tax counsel. However, it is possible for the IRS to assert a different treatment than is described in the offering documents and for you to be negatively affected.



## **Item 9 - Disciplinary Information**

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Investment advisors are required to disclose the facts of any legal or disciplinary events material to a client's evaluation of their advisory business or the integrity of management. We have nothing to disclose in response to this Item.

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

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

### Receipt of Insurance Commissions; Material Relationship with Penn Mutual Life Insurance Company

In 2020, Fountainhead entered into a statutory employment agreement with Penn Mutual Life Insurance Company ("Penn Mutual"), an insurance company not under common control or ownership with us. A number of Fountainhead's advisory representatives (including our executive team) are, in their individual capacities, licensed insurance agents with various insurance companies. Fountainhead itself is also a licensed insurance agency. In this capacity, Fountainhead and its representatives may recommend the purchase of insurance products that will pay the firm and the representative/advisory representative a commission. Because of the nature of our advisory representatives' contract with Penn Mutual, they receive additional remuneration, such as health and retirement benefits, when meeting Penn Mutual's production threshold. This creates a conflict of interest because the advisory representative has a financial incentive to recommend insurance products via Penn Mutual's distribution channel. This conflict arises most commonly as part of the financial planning process. Insurance is a critical part of financial planning and we believe it is important to evaluate client insurance needs and coverage. Clients are never obligated, however, to follow the recommendation of their advisory representative or to purchase recommended insurance through that advisor. The individual advisor's Brochure Supplement will disclose whether that advisor is insurance-licensed and will discuss any conflicts specific to that advisor. Fountainhead shares in some portion of the insurance commissions earned by our advisory representatives. We mitigate this conflict through (1) disclosure; (2) routinely shopping insurance carriers and selecting the best rate, whether that is Penn Mutual or another carrier; and (3) training our advisors about their fiduciary duty to clients. As noted above, clients always have the option to purchase insurance products recommended by Fountainhead's representatives through other insurance agents who are not affiliated with us.

Additional information related to specific advisory representatives appears in the ADV 2B Supplemental Brochure.

### Other Financial Industry Affiliations

Fountainhead AM, LLC ("FAM") is an investment advisor under common control with Fountainhead. FAM was formed to provide sub-advisory and back-office services to other investment advisors, not directly to end clients. Fountainhead and FAM share management, office space, and back-office staff, and FAM supports Fountainhead's advisory services. Fountainhead routinely allocates client assets to FAM and shares its Advisory Fees with FAM as described in Item 5.

Fountainhead Retirement Services, LLC ("FRS") is also an investment advisor under common control with Fountainhead. FRS provides non-fiduciary advisory services to ERISA and other retirement plan

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sponsors. FRS does not provide 3(21) or 3(38) investment management services to the sponsors or the plans; these services, if needed, are provided by an unaffiliated adviser selected by the plan sponsor. FRS also doesn't provide personalized advice to plan participants, but will refer participants seeking investment advice to Fountainhead. Participants are under no obligation to use Fountainhead's services as a result of the referral.

The controlling members of Fountainhead are also members of FAM and FRS and there is a conflict of interest when Fountainhead allocates clients to FAM's management. Fountainhead believes that its affiliation with FAM results in operational efficiencies and competitive asset management services that ultimately benefit Fountainhead and its clients. Nonetheless, the services available to Fountainhead through FAM may be available for lower cost through other advisors. To mitigate the conflict, we disclose the affiliation and allocate client assets to FAM only when we believe such allocation is in our clients' best interest. We also attempt to keep overall compensation level by sharing fees with FAM rather than assessing a separate advisory fee for those assets allocated to FAM.

Joseph Halpern is the Managing Member and Chief Investment Officer of FAM and FRS. He is also Fountainhead's Chief Investment Officer and is the principal driver of Fountainhead's investment strategy and approach.

Joseph Halpern is a principal and member of Exceed Holdings LLC, the parent company of a registered investment adviser, Exceed Advisory LLC. Joe is the investment officer of Exceed Advisory, LLC. Exceed Advisory serves as sub-adviser to certain mutual funds, and also offers separate account management using a covered call strategy. Exceed Advisory sub-advises an Exceed Investments LLC-co-branded fund advised by Catalyst Capital Advisors ("Catalyst"). FAM does not refer clients to Catalyst, but as described in Items 4 and 5, above, FAM uses Exceed-branded or co-branded Affiliated Funds as appropriate in its models and allocations.

Marc Rock, Managing Partner of Fountainhead and an owner and manager of FAM and FRS, owns a minority interest (less than 5%) in Exceed Holdings LLC. This common ownership creates an inherent conflict of interest for Fountainhead when we or FAM choose to invest assets in Affiliated Funds. Please see Item 5, Fees & Expenses, for more information.

#### Broker-Dealer Relationship

One member of our management team, Joseph Halpern, is also a registered representative of an unaffiliated broker-dealer (Chelsea Financial Services, Inc., member FINRA, SIPC). Joe became licensed with the broker-dealer primarily to service legacy assets purchased prior to the client's becoming a client of Fountainhead. These legacy assets are generally limited to annuities and mutual funds held outside of the primary custodian, and some of them pay trailing commissions which Joe receives personally. They are not assessed any management fees by Fountainhead. Joe is not the advisory representative for these legacy assets. See Registered Representatives of a Broker-Dealer in Item 5, above, for additional information about our policies and the ways we mitigate the conflicts dual registration creates. In no case are clients required to retain assets that pay trail commissions.

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

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As a fiduciary, we are obligated to act solely in the interests of our clients. To this end, we have adopted a Code of Ethics that describes our fiduciary and regulatory obligations, and describes the standard of conduct Fountainhead will uphold. Our employees must read and understand the Code and agree to abide by its requirements. A copy of our Code of Ethics is available upon request to both clients and prospective clients by phoning or emailing our office.

Both Fountainhead and persons associated with Fountainhead ("**Associated Persons**") are permitted to buy or sell securities that we also recommend to clients. When Fountainhead is engaging in or considering a transaction in any security on behalf of a client, no Associated Person may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the Associated Person) a transaction in that security unless:

- ☐ the transaction has been completed;
- ☐ the transaction for the Associated Person is completed as part of an aggregated transaction (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 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.

By policy, we do not effect principal or agency cross transactions, in which we either trade with customers versus our own account or that of an affiliate, or trade securities between client accounts using an affiliated broker-dealer.

As discussed in Item 4, Item 5, and Item 12, either Fountainhead or FAM will use Affiliated Funds in our Strategies where their use would be appropriate, and would help us meet the objectives of our models. This creates a conflict of interest which we mitigate through disclosure, by limiting use of the Affiliated Funds in Fountainhead's and FAM's total allocation, and by using the Affiliated Funds only where doing so supports the investment objectives and strategies of the models. Clients are also able to direct us not to use any Affiliated Funds in their Accounts.

## **Item 12 - Brokerage Practices**

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### Recommending Broker Dealers

We have historically recommended that clients use the brokerage and custodial account services of TD Ameritrade Institutional ("TD"), a division of TD Ameritrade, Inc. Beginning in March 2023, we began recommending Charles Schwab & Co., Inc., ("Schwab") in connection with Schwab's acquisition of TD Ameritrade, Inc. Schwab has notified us of its intention to transition all existing TD account to Schwab in the 3<sup>rd</sup> quarter of 2023. Accordingly, we are not opening new accounts with TD.

Schwab is an independent SEC-registered broker-dealer and is unaffiliated with Fountainhead. We participate in Schwab's Institutional Program, through which Schwab offers services to independent registered investment advisors. These services include custody of securities, trade execution, and clearance and settlement of transactions. While we recommend the custodial and brokerage services of Schwab, clients are ultimately responsible for deciding where to open a custodial account. Clients are not under any obligation to select the custodian we recommend, though we reserve the right to decline Accounts where the client has selected a custodian other than Schwab if we believe that the choice would hinder our ability to fulfill our fiduciary duty to the client and/or our ability to service the Account efficiently.

Clients sign separate agreements with the selected custodian that detail the relationship, including obligations of both parties, and compensation and services. Lower rates may be available through other custodians or other advisors.

### Factors Considered in Selecting or Recommending Broker-Dealers/Custodians for Client Transactions

We have evaluated Schwab and believe they generally provide clients with best execution on an overall basis. The factors we consider in recommending Schwab include our experience with the firm, its reputation, the quality of execution services, and the low commission rates available, among other factors. We are not affiliated with or otherwise related to Schwab.

We evaluate whether asset-based pricing or transaction-based commissions are more appropriate for a given client in making our recommendation of custodian. Generally, ETFs and individual equities are not charged transaction fees, but accounts using mutual funds are. Accordingly, we assess which structure will result in the lowest overall charges for the account and recommend that structure based on the client's holdings. While the elimination of many transaction-based charges has complicated the assessment, in general, accounts that trade more actively in securities subject to a transaction charge will benefit from asset-based pricing and accounts that trade infrequently or invest in securities that are not subject to transaction charges will benefit from transaction-based commissions. The asset level in the account also enters into the assessment, with larger accounts often receiving discounts from the custodians.

Schwab provides its current brokerage charges (commissions) and fees to clients when they establish an account. Custodians may assess other fees and charges, in addition to the commissions or asset-based fees, for services such as wire fees, retirement plan maintenance fees, transfer and termination fees, etc. if applicable. Neither Fountainhead nor FAM receives any portion of these charges.

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When clients open Accounts with a custodian that is also a broker-dealer, and no prime brokerage arrangement exists, we often place orders with the custodial broker-dealer for execution, rather than make trade-by-trade routing decisions.

When clients select a custodial broker-dealer other than Schwab, we will not have the authority to negotiate commissions on behalf of the client or to obtain volume discounts, and may not be able to obtain best execution for the client. We have evaluated broker-dealer/custodians and believe that Schwab generally provides clients with best execution on an overall basis. Among others, the factors we consider in evaluating any broker we recommend include our experience with the firm, its reputation, the quality of execution services provided to our clients over time, and the commissions or asset-based fees charged to our clients, among other factors.

We do not generally seek price improvement through broker-dealers other than the custodian on an individual transaction basis. Placing orders with a broker-dealer other than the custodial broker-dealer may cause the client to incur fees for trading away. We try to aggregate client trades, where we believe doing so will reduce overall costs to clients. See Aggregation of Orders, below, for more information.

Research and Other Soft Dollar Benefits

We have no "soft dollar" arrangements in which the broker or custodian agrees to make specific payments or reimbursements on our behalf for research products or trading and execution software, in exchange for our generating certain levels of commissions. As disclosed below, we do get benefits from Schwab, but those benefits are related to our being an approved advisor on the Schwab institutional platform, and are not related to commissions or fees generated. The benefits are generally available to all advisors, including Fountainhead, who use Schwab's institutional services.

Other Benefits Received from Custodian

We receive products and services from Schwab that benefit us but may not directly benefit clients. These products and services assist us in managing and administering client accounts, and can include investment research, both proprietary and that of third parties. We use this research to service all or a substantial number of client accounts, including some accounts that use other custodians. In addition to investment research, the custodian we recommend also makes available software and other technology that:

- Helps us construct, manage, and re-balance client accounts in accordance with our model portfolios;
- Provides access to client account data (such as duplicate trade confirmations and account statements);
- Provides pricing and other market data;
- Facilitates payment of our advisory fees from clients' accounts; and
- Assists with back-office functions, recordkeeping, and client reporting.

Schwab also offers other services to us that are intended to help us management and further develop our business, and that generally benefit only Fountainhead. These services include:

- Educational conferences and events;
- Consulting on technology, compliance, legal, and business needs;
- Publications and conferences on practice management and business succession; and

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- Occasional business entertainment

The availability of these services from Schwab is not contingent on any commitment on our part with respect to assets held with Schwab, or any level of brokerage commissions, asset-based fees, or other fees generated for Schwab. The receipt of these services, however, benefits Fountainhead and FAM because we do not have to produce or purchase them. A custodial relationship also provides operational efficiencies and economies of scale; generally, once a large percentage of an advisor's clients are on a particular platform, it's difficult to move and doing so requires changing internal processes and may result in losing some economies of scale.

A conflict of interest arises if we recommend Schwab to clients based on our interest in receiving these benefits rather than based on clients' interests in receiving the best value in custody services and/or the most favorable transaction execution. When recommending custodial broker-dealers to clients, however, we do so based on the scope, quality and pricing of the broker-dealer's services independent of any benefits we may receive.

#### Mutual Funds and ETFs

Schwab makes available a number of No-Transaction-Fee funds ("NTF Funds"). NTF Funds are not subject to commissions or other transaction fees assessed by Schwab but, like all funds, have other fees and expenses that apply to continued investments and which are described in the prospectus. Schwab earns additional revenue on NTF Funds through its service agreements with these NTF Fund issuers for record-keeping, shareholder services, and other administrative and distribution services. If we select NTF Funds for clients, those purchases will not generate soft-dollar commission credits. When selecting funds for client accounts, we select funds we believe will best serve client needs and which, in our judgment, achieve overall best execution, without regard to whether the fund creates soft-dollar commission credits. The inherent conflicts of interest present in soft-dollar arrangements described above also apply to fund selection.

#### Brokerage for Client Referrals

We do not recommend brokerage or custodial services in exchange for referrals.

#### Directed Brokerage

We do not generally permit clients to direct brokerage outside of our recommended custodian. This means that while the client is ultimately responsible for selecting and/or approving the account custodian, we do not execute orders based on trade-by-trade instructions from the client. We typically execute orders through the facilities of the selected custodian, but may execute through other broker-dealers if we believe that will result in the best overall execution.

Because we recommend a specific custodian and then tend to execute investment transactions on a discretionary basis, typically through that custodian, we are effectively requiring that clients "direct" their brokerage to Schwab, absent other specific instructions as discussed below, or absent our decision to route that order to another broker. Because we are not usually choosing brokers on a trade-by-trade basis, we may not be able to achieve the most favorable executions for clients and this may ultimately cost clients more money. Not all investment advisers require directed brokerage.

#### Aggregation of Orders

We routinely aggregate (or "block") client transactions, where we determine that aggregation is likely to result in better execution prices or lower overall execution costs to clients. We are not obligated to

include any client account in a block trade. No client participating in a block trade will be favored over any other client that also participates in the same block trade, including Associated Persons of Fountainhead or FAM.

In a block trade, each participating client receives a price that represents the average of the prices at which we executed all of the transactions in that block. Block trades can lower transaction costs and/or help clients achieve better execution. Accounts participating in a block trade share transactions costs on an equal and pro rata basis, subject to minimum ticket charges that may be assessed to each account in accordance with the Custodian Broker's policies. If the order is not completely filled, the securities purchased or sold are distributed among participating clients on a pro rata basis or in some other equitable manner.

#### Cross Transactions

We occasionally complete cross transactions on behalf of clients. This occurs when selling a security from the account of one client and buying it in the account of another without entering an open-market transaction. We will process cross transactions when we decide the Accounts involved would likely receive better overall execution through a cross. This applies most frequently with thinly-traded or limited-market securities and is generally initiated because one client needs to liquidate an investment we are not currently recommending for sale and another client wishes to purchase that security.

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

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#### Account Reviews

For those clients to whom Fountainhead provides investment management services, Fountainhead 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 Fountainhead provides financial planning and/or consulting services, reviews are conducted on an "as needed" basis. Such reviews are conducted by one of Fountainhead's investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with Fountainhead and to keep Fountainhead informed of any changes thereto. Fountainhead 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.

#### Review Triggers

Other conditions that may trigger a review are changes in the tax laws, new investment information, and changes in a client's own situation.

#### General Reports and Account Statements

Unless otherwise agreed, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian holding the Accounts. As agreed, Investment Management clients may also receive client-specific reports from us that include account and/or market-related information such as an inventory of account holdings, cash flow, and account performance on a quarterly basis. We urge clients to carefully compare the account statements they receive from their custodian with those they receive from Fountainhead and ask that they notify us of any discrepancies.

Financial Planning/Consulting Reports

Financial planning and/or pension consulting services will receive reports from us summarizing our analysis and conclusions, as requested by the client or as otherwise indicated in the Agreement.

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

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Client Referrals & Promoter Arrangements

We maintain some promoter relationships, in which a third-party endorses our services, introduces clients to us, and we pay that third-party a portion of our Advisory Fee. We pay promoters in accordance with applicable federal and state securities laws. Unless otherwise disclosed, any fees paid to promoters are solely from Fountainhead's investment management fee and do not result in any additional charge to the client. We require paid promoters to disclose to you that they are not a client of Fountainhead's, that they are compensated for the referral, and to let you know of any material conflicts of interest they have in making the referral, including their receipt of ongoing referral fees.

Other Economic Benefits

As disclosed under Item 12, above, we participate in Schwab's institutional program and we recommend Schwab to our clients for custody and brokerage services. There is no direct link between our participation in the Institutional program and the investment advice we give to clients, though we do receive economic benefits that are typically not available if our clients used Schwab's retail investor services.

Services that benefit both Fountainhead and clients include:

- Software that allows us to construct, manage, and re-balance client accounts in accordance with our Strategies;
- Provide access to client account data (such as duplicate trade confirmations and account statements);
- Provide pricing and other market data;
- Research-related products and tools;
- Access to a trading desk, and access to block trading and aggregation/allocation tools;
- Assist with back-office functions, recordkeeping, and client reporting.

Schwab also offers other services, without cost or at a discount, that are intended to help us manage and further develop our business enterprise and that generally benefit only us. These services include:

- Educational conferences and events (that may also include business entertainment and payment of travel and lodging costs);
- Consulting on technology, compliance, legal, and business needs;
- Publications and conferences on practice management and business succession;
- Payments, reimbursements, or discounts on business consulting or other professional services, to our advisors or executives; and
- Facilitate payment of our advisory fees from clients' accounts;
- Support back-office and investment management efficiencies that permit FAM to offer services to both Fountainhead and other, unaffiliated RIAs.



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The availability of these services from Schwab is not contingent on any commitment on our part with respect to brokerage commissions, loads, or transactions fees, but we have represented that we intend to continue to grow our business and that FAM expects its own investment advisor clients to use Schwab. The receipt of these services benefits Fountainhead and FAM, because we do not have to produce or purchase them independently. A conflict of interest arises if we recommend Schwab to clients based on our interest in receiving these benefits rather than based on clients' interests in receiving the best value in custody services and/or the most favorable transaction execution. When recommending custodial broker-dealers to clients, however, we do so based on the scope, quality and pricing of the broker-dealer's services independent of any benefits we may receive.

Referrals from our Affiliate, FRS

FRS and Fountainhead will cross-refer clients, where the firms believe it to be appropriate. We expect FRS will routinely refer individual Plan participants to Fountainhead. Fountainhead or FAM may also refer corporate entities to FRS.

- Fountainhead will share with FRS advisory fees earned on IRA rollovers resulting from FRS referrals on the following basis: 50% - year 1; 40% - year 2; 30% - year 3; 0% - year 4 and thereafter.
- Where Fountainhead or a Fountainhead advisor earns insurance revenue as a result of an FRS referral, FRS and the individual referring FRS associate will share in the revenue on the following basis: FRS/Individual – 30%/30% - year 1; FRS/Individual 30%/15% - year 2; 30%/0% - year 3.

The advisory fees charged by FRS or Fountainhead will not be higher than they would if the referral agreements described above were not in place.

**Item 15 - Custody**

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The Agreement as well as our agreement with the custodian and with FAM, authorizes Fountainhead, or as applicable the custodian or FAM on Fountainhead's behalf, to debit the client's Account for all fees described in the Agreement. We also facilitate payments clients authorize to third parties pursuant to standing letters of authorization that comply with the seven conditions identified by the SEC in no-action guidance issued on this topic. Aside from these limited forms of custody, neither Fountainhead nor FAM has authority to hold, directly or indirectly, client funds or securities, or has any authority to obtain possession of them.

The custodian we recommend sends a statement to clients, at least quarterly, indicating all amounts disbursed from the account, including the amount of Advisory Fees, Reporting & Administration Fees, and Sub-Advisor Fees paid directly to Fountainhead or to any Sub-Advisors. The custodian has also agreed to verify the terms and content of third-party standing letters of authorization and to permit clients to change these authorizations as they choose to.

As discussed in Item 13, Fountainhead also sends periodic supplemental reports to clients. We urge clients to carefully review the statements sent directly by the custodian and compare them to those received from Fountainhead.

**Item 16 - Investment Discretion**

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Most of our Investment Management Services are provided on a discretionary basis. Clients must execute our discretionary Agreement, which contains a limited power of attorney permitting us to

trade on the client's behalf. Clients will also usually need to execute authorizations required by the custodian before we may begin trading on a discretionary basis. Clients may request a limitation on our discretionary authority (such as certain securities not to be bought or sold).

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

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Fountainhead's affiliate, FAM, votes proxies on behalf of clients, if the client grants the authority and provides necessary authorizations through the custodian. If the client does not authorize FAM to vote proxies, clients will continue to receive and vote them directly. Regardless of whether our affiliate will vote the proxy, clients may contact us using the contact information on the cover of this Brochure with any questions they have about proxies.

We have established proxy voting guidelines as part of firm policies. These guidelines are generally intended to support the ability of management to run its business long-term, in a cost-effective manner, and focused on maximizing shareholder value. We vote all proxies related to securities registered under the Investment Company Act of 1940 (i.e., mutual funds and ETFs). For individual equities, we typically vote only when the proxy is contested. In all cases, we are obligated to vote proxies in the best interests of clients.

Where a proxy proposal raises a material conflict between us and a client's interest, we will resolve the conflict as follows:

- (i) Consistent with our existing guidelines, assuming we have little or no discretion to deviate from those guidelines with respect to the proposal in question.
- (ii) Obtain consent of clients, to the extent we have discretion to deviate from the guidelines. We will disclose the conflict to the relevant clients and obtain consent for how we vote prior to doing so.

Clients may obtain information on how we voted their proxies, or obtain a copy of our proxy voting procedures, by emailing or calling us as indicated on the front cover of this Brochure.

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

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We are not required to disclose any financial information pursuant to this Item because: (1) we do not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance; (2) we do not have a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients; and (3) we have not been the subject of a bankruptcy petition at any time during the past ten years.