

## Item 1: Cover Page

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# Mendel Money Management

## Form ADV Part 2A

### Investment Adviser Brochure

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March 2021

This Brochure provides information about the qualifications and business practices of Mendel Money Management Inc. (“we”, “us”, “our”). If you have any questions about the contents of this Brochure, please contact Barry Mendel, President and Chief Compliance Officer, at (847) 564 -0970 or [barry@mendelmoney.com](mailto:barry@mendelmoney.com).

Additional information about our Firm is also available on the SEC’s website at <http://adviserinfo.sec.gov/Firm/105974>. 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.

We are a registered investment adviser. Please note that use of the term “registered investment advisor” and a description of the Firm and/or our employees as “registered” does not imply a certain level of skill or training. For more information on the qualifications of the Firm and our employees who advise you, we encourage you to review this Brochure and the Brochure Supplement(s).

## **Item 2: Summary of Material Changes**

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In this Item of Mendel Money Management Inc's (MMM's) or "the Firm," "we," "us," "ours") Form ADV 2, the Firm is required to discuss any material changes that have been made to Form ADV since the last Annual Amendment, dated March 20, 2019.

### **Material Changes since the Last Update**

Since the last Annual Amendment filing on March 20, 2019, we have the following material change(s) to report:

- The entire Form ADV Part 2 has been re-written for accuracy and clarity; as a result, the entire document has been delivered to clients,
- Bradley A. Mendel has become a principal owner of the Firm, as noted in Item 4: Advisory Business; and
- Mendel Money Management Inc. has entered into an agreement whereby we act as a Sub-Advisor for another Investment Adviser as noted in Item 4: Advisory Business and Item 10: Other Financial Industry Activities and Affiliations.

### **Full Brochure Available**

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at (847) 564-0970 or by email at [lauren@mendelmoney.com](mailto:lauren@mendelmoney.com).

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## Item 4: Advisory Business

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### **Information about the Firm**

Mendel Money Management, Inc. (the “Firm,” “we,” “us,” or “our”) was formed to provide comprehensive investment counseling services for individual and corporate investors. The company has been registered with the Securities and Exchange Commission since its founding in 1989.

The principal owner of the Firm is Bradley A. Mendel.

### **Advisory Services**

The Firm, a registered investment adviser, provides investment supervisory services on a discretionary basis for individuals, individual retirement plans, sponsors of employee benefit plans (defined contribution and defined benefit), trusts, charitable organizations and corporations or other business entities.

Investment counseling is a personalized service. The primary founding tenet of the Firm is continuous maintenance and proper supervision of client assets with regular and close client communication.

Clients differ in their specific investment attitudes, temperament, needs, objectives, and ability to assume risk. Our portfolio management is tailored to the client rather than to a general investment program or strategy. While establishing a client relationship, considerable attention is given to these factors to develop a proper objective and method of operation.

The heart of the counseling job is to determine the most appropriate investment program for each client and then to provide it in a consistent and clear manner.

In providing investment supervisory services, we will: (1) determine the client's investment objectives; (2) buy or sell securities on behalf of the client or make recommendations to that effect; and (3) periodically report to the client the current investment holdings, valuations, transactions, capital gains or losses, and investment income of the client account.

The Firm relies primarily on its research activities in formulating investment programs for clients and continually follows the progress of existing investments. The client's tax situation, income needs, time horizon, and attitude toward risk are considered for all executed account actions.

### **Asset Management Services**

We provide continuous advice to clients regarding investment of client funds based on the individual needs of the client. Through personal discussions in which goals and objectives based on a client’s particular circumstances are established, we develop a client’s personal investment strategy and creates and manages a portfolio in accordance with that strategy. Account

supervision and ongoing investment counseling is guided by the stated objectives of the client (i.e., maximum capital appreciation, growth, income, growth and income, etc.)

We create portfolios consisting of one or all of the following: individual equities, bonds, no-load mutual funds, load-waived mutual funds, exchange traded funds, and/or other investment products. We allocate the client's assets among various investments taking into consideration the overall management style selected by the client. Clients will have the opportunity to place reasonable restrictions on the types of investments which will be made on the client's behalf. Clients will retain individual ownership of all securities.

Portfolios are managed either in a discretionary or non-discretionary manner, as selected by the client. The method of operation varies in the degree of responsibility granted to the company. In the non-discretionary account, we provide specific recommendations, but will not take any action unless client approval is received. In the discretionary account, we have full authority, under power of attorney, to invest portfolio assets in a manner consistent with the client's established objectives.

### **Financial Planning**

We provide a variety of financial planning to individuals, families and other clients based upon an analysis of the client's current situation, goals, and objectives. Our services may encompass one or more of the following: investment planning; retirement planning; estate planning; charitable planning; education planning; corporate and personal tax planning; corporate structure; real estate analysis; mortgage/debt analysis; insurance analysis; lines of credit evaluation; and business and personal financial planning.

Our financial plans usually include general recommendations for a course of activity and may include specific actions to be taken by the clients. For example, we may advise clients to begin or revise investment programs, create or revise wills or trusts, obtain or revise insurance coverage, commence or alter retirement savings rates, or establish education or charitable giving programs. Specific areas of consideration may include some or all of the following items:

- **Personal**: Family records, budgeting, personal liability, estate information and financial goals.
- **Education**: Education IRAs, financial aid, state savings plans (529 plans), grants and general assistance in preparing to meet dependents continuing educational needs through development of an education plan.
- **Tax Cash Flow**: Income tax and spending analysis and planning for past, current and future years. We will illustrate the impact of various investments on a client's current income tax and future tax liability.
- **Death and Disability**: Cash needs at death, income needs of surviving dependents, estate planning and disability income analysis.
- **Retirement**: Analysis of current strategies and investment plans to help the client achieve his or her retirement goals.

- **Investments**: Analysis of investment alternatives and their effect on a client's portfolio.
- **Estate**: Living trusts, wills, review estate tax, powers of attorney, asset protection plans, nursing homes, Medicaid and elder law.
- **Insurance**: Review of existing policies to ensure proper coverage for life, health, disability, long term care, liability, home and automobile.

We gather the pertinent information through in-depth personal interviews. Information gathered includes a client's current financial status, future goals and attitudes towards risk. Related documents may include a questionnaire completed by the client. The questionnaire and information supplied by the client are carefully reviewed. If a client chooses to implement the recommendations contained in the plan, we suggest the client work closely with his/her attorney, accountant, insurance agent, and/or stockbroker. Implementation of financial plan recommendations is entirely at the client's discretion.

Once a financial plan is developed and agreed to by the client, we utilize the plan as a basis to create individual investment portfolios, which may consist of individual stocks or bonds, mutual funds and other public and private securities or investments. Each client's portfolio is tailored to an individual investment strategy and to specific goals and objectives and may include some or all of the previously mentioned securities. Once the appropriate portfolio has been determined, we review the portfolio at least annually and, as necessary, we rebalance the portfolio based upon the client's needs and stated goals and objectives. We may exercise discretion over the investment of the portfolio, or a portfolio may be maintained on a nondiscretionary basis. When granted discretionary authority, we will direct the investment and reinvestment of the assets in the client account(s) in securities and/or cash or cash equivalents. Alternatively, we may be granted non-discretionary authority, obtaining client consent prior to placing investment transactions on behalf of the client.

### **Consulting**

We also offer investment advice on a more limited basis, outside of a formal financial planning agreement. This may include advice on only an isolated area(s) of concern such as estate planning, retirement planning, reviewing a client's existing portfolio, or any other specific topic. Additionally, we may provide advice on non-securities matters; generally, in connection with the rendering of estate planning, insurance, and/or annuity advice.

### **Tailored Relationships**

All of our advice is based on an assessment of each client's individual needs, which we identify at the onset of each relationship using, as appropriate, client questionnaires and profiles, a review of existing investments and financial status, and other means. We periodically review each client's individual investments and investment profile. When a client's investment profile or needs change and we have notice or receive additional information, we modify our advice, as appropriate.

If we manage a client's portfolio, we permit a client to impose restrictions on the types of investments that are acquired or held. These restrictions must be reasonable and practicable

and permit us to manage the account without undue difficulty. If we do not directly manage a client's portfolio, such as when a third-party manager is designated, individually imposed restrictions on investments are generally not permitted.

### **Sub-Advisor**

The Firm acts as a Financial Planner to clients of another Investment Adviser. We also provide a model portfolio to the Adviser for use with their clients. We are paid 0.25% annually, or 0.0208% monthly, based on the net asset value of any of the Adviser's clients' accounts that utilize the Model Portfolio.

### **Fiduciary Statement**

The Firm and our employees act as fiduciaries who take into consideration the best interests of our clients. When dealing with our clients, we act with competence, dignity, integrity and in an ethical manner. We use reasonable care and exercise independent professional judgement when conducting investment analysis, making investment recommendations, trading, promoting our services, and engaging in other professional activities. As a fiduciary, we have an obligation to deal fairly with our clients, including the following responsibilities:

- To render impartial advice;
- To make appropriate recommendations based on a client's needs, financial circumstances and investment objectives;
- To exercise a high degree of care and diligence to ensure that information is presented in an accurate manner and not in a way to mislead;
- To have reasonable basis, information, and understanding of the facts in order to provide appropriate recommendations and representations;
- To disclose any material conflict of interest in writing; and
- To treat clients fairly and equitably.

### **Wrap Fee Program**

The Firm is not involved in any wrap-fee programs.

### **Assets Under Management**

As of December 31, 2020, we managed \$205,547,915 in client assets on a discretionary basis.

## Item 5: Fees and Compensation

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### **Compensation**

Clients may pay fees based on a percentage of their assets under management or hourly charges, fixed fees (not including subscription fees), referral fees or commissions.

### **Compensation - Asset Management Fees**

For our asset management services, clients pay fees based on a percentage of their assets under management, by household. The maximum fee schedules are below.

<b>PERCENTAGE OF ASSETS UNDER MANAGEMENT*</b>	
<b>Value of Account</b>	<b>Annual Fee (tiered)</b>
First \$1,000,000	1.00%
Next \$2,000,000	0.75%
Next \$2,000,000	0.50%
\$5,000,000 and Above	Negotiable

This fee is payable quarterly, in advance, and is based upon the fair market value of a client's assets determined at the end of the preceding calendar quarter. The initial fee is due at the end of the quarter during which advisory services commence and is pro-rated to the end of the calendar quarter based on the initial deposit in the account. These fees are subject to negotiation and may vary from what is described above.

An advisory contract with the Firm may be terminated upon 30 days' notice of either party and any unearned portion of prepaid fees, less any expenses incurred by the Firm in connection with the termination, will be refunded to the client.

### **Compensation – Financial Planning and Consulting**

Financial Planning and Consulting fees will be charged in one of two ways:

- As a fixed fee, typically ranging from \$1,500 to \$3,000, depending on the nature and complexity of each client's circumstances, or
- On an hourly basis of \$250 to \$500 per hour.

All financial planning and consulting fees are typically invoiced and due in arrears (unless advance agreement is made with the client, which will never exceed \$1,200 more than six months in advance), upon presentation of the financial plan or completion of the consulting engagement for the client. Services rendered and the fees charged are disclosed in each Asset Management Agreement. Financial planning and consulting fees are negotiable.

### **Other Fees**

For asset management services provided by us, clients should expect to pay some, or all of the following additional expenses charged by third parties:



- Custodial and similar fees and costs customarily associated with the maintenance of a custody or brokerage account.
- Internal expenses associated with products such as mutual funds and ETFs, including investment management and 12b-1 fees. These internal expenses are typically calculated as a percentage of the fund's assets under management. Some of these fees are retained by the product issuers, and some are paid to third parties, such as a custodian, for services including the maintenance of shareholder accounts and the distribution of prospectuses and similar items. More information about specific expenses charged by a fund or ETF may be found in the applicable prospectus. Because these expenses are directly deducted from a fund's assets, they have the effect of reducing the performance of the investment.
- Products, primarily mutual funds, may have multiple share classes, each class with different fee and compensation structures, which may include deferred sales charges. Charges for internal expenses may also differ among share classes, including investment management fees and 12b-1 fees. Mutual fund shares may be subject to these fees and expenses, and we may acquire shares other than those designated specifically for advisory or institutional accounts. Lower cost share classes for the same mutual fund may be available through another arrangement.
- Other types of charges and expenses may be incurred, including mark-ups and mark-downs, odd-lot differentials, spreads paid to market makers from whom securities where are obtained, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage and securities transactions.

***Fees and Expenses (Mutual Funds Share Class)***

Funds generally offer multiple share classes available for investment based upon certain eligibility and/or purchase requirements. For instance, in addition to retail share classes (typically referred to as class A, class B and class C shares), funds may also offer institutional share classes or other share classes that are specifically designed for purchase by investors who meet certain specified eligibility criteria, including, for example, whether an account meets certain minimum dollar amount thresholds or is enrolled in an eligible fee-based investment advisory program. Institutional share classes usually have a lower expense ratio than other share classes.

The appropriateness of a particular fund share class selection is dependent upon a range of different considerations, including but not limited to: the asset-based advisory fee that is charged, whether transaction charges are applied to the purchase or sale of funds, operational considerations associated with accessing or offering particular share classes (including the presence of selling agreements with the fund sponsors and the Firm's ability to access particular share classes through the custodian), share class eligibility requirements; and the availability of revenue sharing, distribution fees, shareholder servicing fees or other compensation associated with offering a particular class of shares.

Such charges, fees and commissions are exclusive of and in addition to the Firm's fee, and the

Firm shall not receive any portion of these commissions, fees, and costs, except as/where noted below in **Other Fees – Commissions**.

### **Other Fees – Referral Fees**

In addition, the Firm pays a referral fee, unless otherwise negotiated, equal to 25% of total management fees earned and received from accounts originated by the finder. The finder acts as a liaison between us and the client. The referral fees paid by us will result in a fee increase to those advisory clients referred by the finder as follows:

<b>Value of Account</b>	<b>Annual Fee</b>
First \$1,000,000	1.25%
Next \$2,000,000	1.00%
Over \$3,000,000	0.50%

These referral fees are subject to negotiation, and may vary from what is described above, resulting in annual advisory fees different than shown above.

### **General Information on Compensation**

Under special circumstances, fees at rates other than those described above may be negotiated. Fees are not based on capital gains or any other measure of performance of any account.

All fees paid to the Firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and investment sub-accounts to their shareholders. These fees and expenses are described in each fund's or sub account's prospectus. These fees will generally include a management fee, other expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge.

Clients should note that similar advisory services may (or may not) be available from other registered investment advisers for similar or lower fees.

### **Past Due Accounts and Termination of Agreement**

Either the Firm or a client may terminate any agreement at any time. To terminate the agreement, a client must notify us in writing and pay the rate for the time spent on the engagement prior to notification of termination. If the client made an advance payment, the Firm would refund any unearned portion of the advance payment.

We may terminate any of the aforementioned agreements at any time by notifying the client in writing. If the client made an advance payment, we would refund any unearned portion of the advance payment.

We reserve the right to stop work on any account that is more than 15 days past due. In addition, we reserve the right to terminate any financial planning engagement where a client

has willfully concealed or has refused to provide pertinent information about financial situations when necessary and appropriate, in our judgment, to providing proper financial advice. Any unused portion of fees collected in advance will be refunded within 90 days.

### **General Information on Compensation**

In certain circumstances, fees, account minimums and payment terms are negotiable depending on client's unique situation – such as the size of the aggregate related party portfolio size, family holdings, low cost basis securities, or certain passively advised investments and pre-existing relationships with clients. Certain clients may pay more or less than others depending on the amount of assets, type of portfolio, or the time involved, the degree of responsibility assumed, complexity of the engagement, special skills needed to solve problems, the application of experience and knowledge of the client's situation. In addition to our investment advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transactions for the client's account(s).

All fees paid to the Firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and variable annuity sub-accounts to their shareholders. These fees and expenses are described in each fund's or sub account's prospectus. These fees will generally include a management fee, other expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge.

Clients should note that similar advisory services may (or may not) be available from other registered investment advisers for similar or lower fees.

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

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“Performance-based fees” are fees based on the capital gains or capital appreciation in an account. We do not charge performance-based fees.

“Side-by-side management” refers to the practice of managing both accounts that are charged a performance-based fee and accounts that are charged other types of fees, such as asset-based fees and hourly fees. Because we do not charge performance-based fees, we do not engage in side-by-side management.

## Item 7: Types of Clients

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We provide investment advice to:

- Individuals
- Retirement plans
- Trusts, estates, and charitable organizations
- Corporations

As noted previously, we do not require a minimum account size, but may charge a minimum annual fee of \$1,000, which equates to an account size of \$100,000. It may not be in the best interest of a client to retain us to manage a portfolio having a value of less than \$100,000.

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

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The Firm relies primarily on its research activities in formulating investment programs for clients and will continually follow the progress of existing investments. Research activities will include thorough management and industry contacts and will be supplemented by a variety of sources of investment information including financial newspapers and periodicals, corporate inspections, third party research, corporate ratings, timing services, required SEC filings, and corporate press releases. This information is then subjected to charting and fundamental, technical and cyclical analyses, in order to obtain the greatest degree of evaluation.

Fundamental analysis involves analyzing a company's financial statements and health, its management and competitive advantages, and its competitors and markets. When analyzing a stock using fundamental analysis there are two basic approaches one can use; bottom up analysis (creating a portfolio by first looking at each company and that being the foundation of the long-term view) and top down analysis (which first seeks to evaluate macroeconomic trends and then create a portfolio to reflect the overall economic viewpoint.)

Fundamental analysis is used to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the security is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell). Fundamental analysis does not attempt to anticipate market movements, which may present a potential risk since the price of a security may move up or down with the overall market regardless of the economic and financial factors considered in evaluating the stock.

Technical analysis is a security analysis discipline for forecasting the direction of prices through the study of past market data; primarily price and volume. Technical analysis employs models and trading rules based on price and volume transformations, such as the relative strength index, moving averages, regressions, inter-market and intra-market price correlations, business cycles, stock market cycles or, classically, through recognition of chart patterns.

The greatest material risk to both is that past performance and experience does not guarantee future results. Investments may appear sound using either or both forms of analysis, and still underperform or decline in value over time. Other material risks include, but may not be limited to the use of information from sources we believe reliable but cannot be guaranteed as such, as well as unexpected political, economic and environmental events which may change the investment thesis before we have time to restructure clients' portfolios. We attempt to minimize these risks by diversifying portfolios among a number of investments in different categories, industries and countries.

The Firm may use any of the following investment strategies to implement investment advice: Long-term purchases (securities held at least a year); Short-term purchases (securities sold within a year); margin transactions; and option writing, including covered options, or spread

strategies.

### **Investment Strategies**

We use strategies that are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, time horizons, investment restrictions, and other considerations. The client may change these objectives at any time.

We reserve the right to advise clients on any other type of investment that we deem appropriate based on the client's stated goals and objectives and we may also provide advice on any type of investment held in a client's portfolio at the inception of the advisory relationship or on any investment on which the client requests advice.

### **Risk of Loss**

Investing in securities involves risk of loss that clients should be prepared to bear.

**All investments involve the risk of loss, including (among other things) loss of principal, a reduction in earnings (including interest, dividends and other distributions), and the loss of future earnings. Although we manage assets in a manner consistent with your investment objectives and risk tolerance, there can be no guarantee that our efforts will be successful. You should be prepared to bear the following risks of loss:**

- **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.
- **Inflation Risk:** When any type of inflation is present, a dollar next year will not buy as much as a dollar today, 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. 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.

- **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 (i.e. Non-traded REITs and other alternative investments) are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.
- **Pandemic Risk:** Large-scale outbreaks of infectious disease can greatly increase morbidity and mortality over a wide geographic area, crossing international boundaries, and causing significant economic, social, and political disruption.
- **Cybersecurity Risk:** A breach in cyber security refers to both intentional and unintentional events that may cause an account to lose proprietary information, suffer data corruption, or lose operational capacity. This in turn could cause an account to incur regulatory penalties, reputational damage, and additional compliance costs associated with corrective measures, and/or financial loss.

It is not possible to list all risks associated with each class of securities or assets or each market sector. Clients should consult their Investment Adviser Representative for more information about specific risks that may be associated with the adviser's investment strategy.

#### **Initial Public Offerings**

We typically do not participate on behalf of its clients in initial public offerings.



## **Item 9: Disciplinary Information**

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We are required to disclose legal or disciplinary events that would be material to a client's evaluation of our ability to provide investment advisory services.

There has been no disciplinary action against the Firm or any of its employees during the past ten years.

## Item 10: Other Financial Industry Activities and Affiliations

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### **Broker/Dealer, Commodities and Other**

None of our employees are registered representatives of a broker-dealer and we are not registered as a broker-dealer, have an application pending to register as a broker-dealer, or have any other affiliation with a broker-dealer.

Neither we nor any of our employees is currently or has an application pending to register as a futures commission merchant, commodity pool operator, or commodity trading advisor.

We do not recommend or select other investment advisors for our clients.

As noted in Item 4: Advisory Business, above, the Firm acts as a Sub-Advisor to clients of another Investment Adviser. We provide Financial Planning services as well as a model portfolio to the Adviser for use with their clients. We are paid 0.25% annually, or 0.0208% monthly, based on the net asset value of any of the Adviser's clients' accounts that utilize the Model Portfolio.

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

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### **Code of Ethics**

We have a duty to exercise our authority and responsibility for the benefit of our clients, to place the interests of our clients first, and to refrain from having outside interests that conflict with the interests of our clients. We and our employees avoid any circumstances that might adversely affect, or appear to affect, our duty of loyalty. We have adopted a Code of Ethics (the Code); the Code's key provisions include:

- Statement of general principles;
- Policy on and reporting of personal securities transactions;
- A prohibition on insider trading;
- Restrictions on the acceptance of significant gifts;
- Procedures to detect and deter misconduct and violations; and
- Requirement to maintain confidentiality of client information.

Our employees must acknowledge the terms of the Code at least annually. Any individual not in compliance with the Code may be subject to termination. We will provide a copy of our Code upon request. Clients and prospective clients can obtain a copy of our Code of Ethics by contacting Barry Mendel, President and Chief Compliance Officer, at (847) 564-0970.

Barry Mendel, President and Chief Compliance Officer, reviews all employee trades each quarter. His trades are reviewed by Bradley A. Mendel, Vice President and Wealth Advisor. These reviews ensure that personal trading does not affect the markets, and that clients of the Firm receive preferential treatment.

### **Participation or Interest in Client Transactions – Personal Securities Transactions**

The Firm and its employees may buy or sell securities identical to those recommended to clients for their personal accounts. If these trades occur ahead of clients, they must execute at a less advantageous price than the client's price.

The Code of Ethics, described above, is designed to assure that the personal securities transactions, activities and interests of our employees of will not interfere with (i) making decisions in the best interest of clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of our clients. In addition, the Code requires pre-clearance of many transactions.

Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from

market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between the Firm and its clients.

**Participation or Interest in Client Transactions**

Neither we nor our employees recommend to clients or buy or sell for client accounts, securities in which they have a material financial interest.

**Participation or Interest in Client Transactions – Aggregation**

Our employees may trade in the same securities with client accounts on an aggregated basis when consistent with our obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. We will retain records of the trade order (and its allocation, which will be completed prior to the entry of the aggregated order). Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the order.

## Item 12: Brokerage Practices

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### **Research and Other Soft Dollar Benefits**

We do not receive formal soft dollar benefits other than execution from broker/dealers in connection with client securities transactions. See disclosure below in “Directed Brokerage – Other Economic Benefits.”

### **Brokerage for Client Referrals**

We do not receive client referrals from broker/dealers.

### **Selecting Brokerage Firms**

Subject only to any client direction to utilize a particular broker or dealer for execution of transactions in that client's account, our overriding objective in effecting portfolio transactions is to obtain the best combination of net price and execution. We seek to achieve this goal by recommending that individual clients open a brokerage account with custodians that have agreed to preferred pricing arrangements for our clients, such that all negotiated terms directly benefit the client through enhanced services or reduced fees. We will transact business only with those firms which we believe are of the highest integrity.

Recommended brokers or custodians are not necessarily the lowest cost provider, (i.e., discount brokers), but are deemed to be competitively priced for the level of service provided. However, a client is free to retain any custodian or broker dealer of their choosing.

Generally, we will execute all such securities transactions through that broker-dealer. In most circumstances, we believe that the recommended broker-dealer is capable of offering the best combination of custodial service, the ability to obtain best net prices, and the execution services in effecting portfolio transactions.

We consider a multitude of factors in the selection of recommended brokers or custodians, which include without limitation, the broker or custodian's general reputation, financial strength and stability of the broker, level of services provided, and competitiveness of fees or special expertise. We generally receive research from brokers it recommends to clients. We generally recommend brokers to clients that have demonstrated the ability to provide our clients with discounted transaction charges, consolidated reporting and duplicate monthly statements. The same benefits are also afforded to our principals and employees. The benefits to the Firm and its principals and employees are not a material factor in determining which brokers to recommend. The primary considerations are the research services and discounted commissions provided to the client. We do not expect clients to pay greater broker commissions, when the rates offered through competitive brokers with comparable client services are available. However, there can be no assurance that clients will pay the lowest commissions available.

The process is not static – we continually evaluate the reasonableness of brokerage

commissions (based on the foregoing factors) With the exception of client-directed brokerage discussed below, the goal is to secure brokers who provide rates competitive with those provided to other institutional advisers. However, clients should understand, that the sole use of a broker-dealer may result in certain costs or disadvantages to the client, either because the client could pay higher broker commissions, dealer spreads or mark-ups on some transactions, or may receive less favorable execution of some transactions, or both. Except as described below, we will negotiate competitive commission rate schedules and considers the analytical content and value of certain research and services offered by the broker or dealer. This would include analysts/company meetings, seminars and conferences, written and on-line research reports, and other such services provided by institutional brokerage firms.

Upon evaluation, we may elect to use brokers or dealers which have higher commission schedules than the lowest obtainable elsewhere. Any negotiated commission schedule would apply to all clients except as described below, so that each client would share in any benefit which may arise from a brokerage firm's research or services. Research services furnished by brokers in exchange for commissions (i.e. "soft-dollars") may be used in servicing any or all clients of the Firm, and such research services may not necessarily be used in conjunction with the accounts that paid commissions to brokers providing such services.

We, pursuant to our fiduciary duty to our clients, address any trade errors that may occur with respect to a client account so as to place the client in the position in which the client would have been had the error not occurred.

As indicated above, clients may direct us to affect securities transactions through specific brokers or dealers or firms meeting specific criteria. The client may, in some cases, condition such instruction on obtaining competitive price and execution, but in most instances, there is no such condition and the client has already established its own commission rate with the broker. It is also common for clients who are referred to us by their broker to instruct us to direct all brokerage in their accounts to the referring broker at specified levels of commission or commission discounts which may be less favorable than might be attained by us.

We may accept clients with the understanding that such clients will maintain their brokerage relationship. These clients should know that our ability to negotiate commission rates for such clients is virtually eliminated; nor are we in a position to evaluate additional services that may be provided to such clients. Also, we may have a conflict of interest between our duty to obtain a combination of best price and execution for its clients and securing additional business from these persons.

A client who chooses to designate a particular broker-dealer on a "restricted" basis, including a client who designates use of a broker or dealer as custodian of the client's assets, should consider whether such a designation may result in certain costs or disadvantages to the client, either because the client may pay higher commissions on some transactions than might otherwise be attainable by us, or receive less favorable execution of some transactions, or both. In determining whether to direct its brokerage to a particular broker on a "restricted"

basis in recognition of such services, the client may wish to compare the possible costs or disadvantages of such an arrangement with the value of the custodial or other services provided.

### **Brokerage – Other Economic Benefits**

We may have the opportunity to receive traditional “non-cash benefits” from brokers or custodians, such as customized statements; receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk servicing advisors exclusively; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client portfolios; ability to have investment advisory fees deducted directly from client portfolios; access to an electronic communication network for client order entry and portfolio information; access to mutual funds which generally require significantly high minimum initial investments or those that are otherwise only generally available to institutional investors; reporting features; receipt of industry communications; and perhaps discounts on business-related products.

We may also receive general access to research and perhaps discounts on research products. Any research received is used for the benefit of all clients. As noted above, we have no written or verbal arrangements whereby we receive soft dollars. While we endeavor at all times to put the interest of the clients first as part of our fiduciary duty, clients should be aware that the receipt of any additional compensation itself creates a conflict of interest and may affect the judgment of these individuals when making recommendations.

### **Trade Aggregation**

In certain circumstances we aggregate trades for multiple accounts, where administratively feasible (some brokers cannot place block trades). Orders for the same security entered on behalf of more than one client will generally be aggregated (i.e., blocked or bunched) subject to the aggregation being in the best interests of all participating clients. If the order is filled at different prices during the day, the prices are averaged for the day so that all participating accounts receive the same price. If an order has not been filled completely so that there are not enough shares to allocate among all the clients equally, shares will be allocated in good faith, based on the following considerations: amount of cash in the account, existing asset allocation and industry exposure, risk profile, and type of security. All clients participating in each aggregated order shall receive the average price and subject to minimum ticket charges, pay a pro-rata portion of commissions.

Our allocation procedure seeks to be fair and equitable to all clients with no particular group or client(s) being favored or disfavored over any other clients.

Accounts for the Firm or our employees may be included in a block trade with client accounts.

## Item 13: Review of Accounts

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Firm clients are individually invited annually to a formal portfolio review. Set attendance is at the discretion of the client. We review each client's account at least quarterly and additionally on an ongoing basis.

### **Review Triggers**

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

### **Reporting**

Each quarter (and sometimes each month, depending on the account activity), the custodian provides clients with an account statement for each client account, which may include individual holdings, cost basis information, deposits and withdrawals, accrued income, dividends, and performance. In addition, the custodian provides clients with trade confirmations for each position bought and sold.

### **Financial Planning – Reviews and Reporting**

An initial financial plan may be included as a component of the financial planning service.



## Item 14: Client Referrals and Other Compensation

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The Firm may compensate registered representatives of broker/dealers for client referrals by directing all or a portion of any brokerage commissions generated by the clients' accounts to that registered representative, subject to our obligation to secure the best combination of net price and execution. Also, we may have a conflict of interest between our duty to obtain a combination of best price and execution for our clients and securing additional business from these persons. Unless otherwise negotiated, we may pay referral fees to persons ("finders") not affiliated with us who introduce advisory business to the Firm. These fees are paid pursuant to the solicitor's rule, SEC Rule 206(4)-3, and ordinarily consist of up to 0.25% of the advisory fees paid to us by the referred client. The finder acts as a liaison between us and the client. The client's fees to the Firm generally are increased by the amount of referral fee paid by us to the solicitor.

## Item 15: Custody

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The Firm does not maintain custody of any clients' securities or cash.

### **Custody – Fee Debiting**

The client agreement authorizes us to deduct advisory fees directly from the client's account at the custodian. With the exception of the ability to debit client accounts for advisory fees, we do not and will not have custody of clients' funds or securities. Client assets shall be held in the custody of a bank, trust company or brokerage firm agreed upon by the client and us.

The custodian is advised in writing of the limitation of our access to the account. The custodian sends a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of advisory fees paid directly to us.

### **Custody – Account Statements**

As described above and previously in this document, clients receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. Clients are urged to carefully review such statements and compare such official custodial records to the reports that we provide. Our reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## Item 16: Investment Discretion

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Clients may retain the Firm on a discretionary basis. When the client chooses to grant investment discretion to us through the execution of a power of attorney, we have the authority to supervise and direct the investments of and for the client's account without prior consultation with the client. Pursuant to this discretionary authority, we normally determine which securities are bought and sold for the account and the total amount of such purchases and sales. Our authority may be subject to conditions imposed by the client (e.g., where the client restricts or prohibits transactions in certain types of securities or directs that transactions be affected through specific brokers or dealers).

Where the client does not choose to grant us investment discretion, we make recommendations to the client regarding which securities are to be bought or sold, and the amounts to be bought or sold. Upon approving the recommended transactions, the client normally will execute the transaction. If the client requests that we implement the recommendations, we will determine the time and price at which the transactions will be executed, the brokers or dealers through which the transactions will be executed, and the commission rates paid to affect the transactions. As described above with respect to discretionary accounts, the client may direct that we affect the transaction through a specific broker or dealer.

Generally, there are no limitations on our authority to make investment decisions, except those called for by adherence to the investment objective. Investment opportunities which are insufficient to be placed in all accounts (due to their size or relative unavailability) will be allocated based on factors such as type of account, the composition of other investments in the account, and the risk profile of the account. Account specific tax consequences related to selling securities are often the determining factor of account position sizes, holding periods, and security turnover.

We may accept a client account with limited discretion or where investments are restricted or directed by the client in writing. For example, some accounts may restrict purchases of certain types of securities, industry groups, or specific country's securities. Because of those limitations, these accounts may not participate in all investments made by the Firm for its unrestricted accounts.

## Item 17: Voting Clients Securities

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Clients should understand that the Firm will not vote any proxies for securities or exercise voting rights pertaining to investments in a client's account (including without limitation, matters relating to conversions, exchanges, mergers, stock splits, rights offerings, recapitalizations, and reorganizations). We also will not act for clients in any legal proceedings, including bankruptcies or class actions, involving securities held or previously held by a client's account. It is the client's responsibility to vote any proxies for securities, exercise voting rights, or take any legal actions pertaining to investments in his or her account. If requested, we will assist a client with documentation necessary for the client to take legal actions pertaining to investments in client's account. Ordinarily, the client's custodian will forward proxies or other communications pertaining to investments in client's account to client. Client should contact their custodian if he or she does not receive proxies or other mailings pertaining to the investments in the account.

For those accounts which are subject to ERISA, as a condition of engagement of the Firm, the client must preclude us from voting proxies and exercising voting rights in its advisory agreement with us or by letter, or the documents of an employee benefit plan reserve the right to the plan's trustees or named fiduciary. The client may receive, a copy of our proxy voting policies and procedures upon request.

## **Item 18: Financial Information**

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We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to clients and have not been the subject of a bankruptcy proceeding during the past ten years.

We do not solicit or require the pre-payment of account fees greater than or equal to \$1,200 per client in the time span of six months or beyond, creating no obligation to provide financial information.