

**Brochure  
Form ADV Part 2A**

**Merit Financial Group, LLC**  
CRD# 142457

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**November 23, 2022**

This Brochure provides information about the qualifications and business practices of Merit Financial Group, LLC (“Merit”). If you have any questions about the contents of this Brochure, please contact Chief Compliance Officer Mark Christensen by telephone at (678) 867-7050 or email at [compliance@meritfa.com](mailto:compliance@meritfa.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. Additional information about Merit Financial Group, LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Please note that the use of the term “registered investment adviser” and description of Merit Financial Group, LLC and/or our associates as “registered” does not imply a certain level of skill or training. You are encouraged to review this Brochure and Brochure Supplements for our firm’s associates who advise you for more information on the qualifications of our firm and its employees.

## **Item 2. Material Changes**

This document includes material updates to the firm's Brochure that have occurred since the last annual amendment was filed on March 31, 2022. These material changes relate mainly to recent acquisitions and may not be material to all of the firm's clients. Each of the material changes is described in more detail below.

- We amended Item 4 under the heading "Asset Management" and "Direct Asset Management Services" to provide additional details about the differences between wrap fee accounts and non-wrap fee accounts, including their expenses and the conflicts these differences create.
- We amended our disclosures in Item 4 under the heading "Retirement Plan Advisory Services" to provide more detailed information about our services.
- We amended our disclosures in Item 4 under the heading "Separate Account Managers/Third-Party Money Managers" to provide additional information about services that we offer through the AssetMark platform.
- We amended Item 12 to describe instances where we decide to execute trades for client accounts with a broker-dealer other than those where the client maintains their account (i.e., a step-out trade). More information about our step-out trading procedures can be found under the "Step-out Trades" heading in Item 12.
- As part of a recent acquisition, we amended certain of our client agreements to change the timing when we charge client accounts (i.e., arrears instead of advanced billing), increased our maximum fee, and broadened the way we charge for financial planning services. We amended Item 5 to reflect these changes.

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## Item 4. Advisory Business

### About our Firm:

Merit Financial Group, LLC (hereinafter “Merit,” “the Firm,” “we,” “our,” or “us” refer to Merit and the words, “you,” “your,” or “client” refer to you as either a client or prospective client of our firm) was established as an SEC-registered investment advisory firm in 2007. Our mission is to provide coordinated, objective advice to help you achieve your financial goals through professional wealth management. We provide our clients with a wide array of advisory services, including asset management, financial planning, retirement plan advice, participant and other consulting, employee wellness programs and educational workshops.

Merit Holdings, LLC is the ultimate owner of Merit Financial Group, LLC. Merit Financial, Inc. is a principal owner of Merit Holdings, LLC. Rick L. Kent, the Firm’s Chief Executive Officer and Founder is the sole principal owner of Merit Financial, Inc. In addition, WPCG Management InvestCo 2.0, LLC (“WPCG”), an affiliate of Wealth Partners Capital Group, LLC (“Wealth Partners”) and Catapult Investments, LLC (“Catapult”), a subsidiary of HGGC, LLC (“HGGC”) (collectively, “Indirect Owners”), through their ownership interest in Project Alpha Acquisition, LLC (“Alpha”) hold an indirect equity interest in Merit Financial Group, LLC (“Merit”). The Indirect Owners’ interest in Merit is structured so that Merit maintains operational autonomy in managing its business. The relationship between the Indirect Owners, Alpha and Merit is defined by an operating agreement that provides that neither the Indirect Owners nor Alpha have the authority or the ability to operate or manage Merit’s business in the normal course. Accordingly, the Indirect Owners and Alpha are not “control persons” of Merit. Wealth Partners also holds equity interests in certain other investment advisers (“WPCG Affiliates”) and HGGC from time to time holds equity interests in other investment advisers and/or financial services industry members (“HGGC Affiliates”) (collectively, “Indirect Affiliates”). Each of the Indirect Affiliates, including Merit, operates autonomously and independently of the Indirect Partners and each other. Merit does not have any business dealings with these Indirect Affiliates and does not conduct any joint operations with them. Merit carries out its asset management activity, including the exercise of investment discretion and voting rights, independently of the Indirect Affiliates. Except as described in this Form ADV, the Indirect Affiliates do not formulate advice for Merit’s clients. In certain cases, managers and products selected by Merit include those of Indirect Affiliates. However, none of the Indirect Owners or Indirect Affiliates have any involvement or influence in Merit’s selection of managers and/or products. As such, the Indirect Owners’ ownership interest in Merit through Alpha does not, in Merit’s view, present any potential conflict of interest for Merit with respect to its clients. Consequently, information about individual Indirect Affiliates is not listed in Section 7.A of Schedule D of Part 1A of Form ADV. A list of all Indirect Affiliates is available to Merit clients upon request.

The firm also has a network of offices that provide advisory services under local *doing business as* (“DBA”) names. We provide investment advisory services to clients through licensed individuals who are Investment Adviser Representatives of our firm (referred to as your “investment adviser representative” or “IAR” throughout this brochure). Your investment adviser representative could be an independent contractor of our firm. Investment adviser representatives on occasion have their own legal business entities whose business names and/or trademarks appear on marketing materials as approved by us, or on client statements as accepted by your account’s custodian.

Clients should understand that these businesses are legal entities of the investment adviser representative and not of our firm or the custodian. A complete list of our approved DBA names can be found by searching for Merit Financial Group, LLC CRD# 142457 at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

As of December 31, 2021, our total assets under management were \$3,681,709,926 of which, \$3,587,183,664 were on a discretionary basis and \$94,526,262 were on a non-discretionary basis.

## **Asset Management**

### *Direct Asset Management Services*

We generally follow an established investment management process with a long-term orientation. For most clients, we believe that a long-term diversified approach is the most suitable investment strategy. As part of our asset management services, we create a portfolio consisting of individual stocks or bonds, exchange traded funds (“ETFs”), options, mutual funds, fee-based variable annuities and other public and private securities or investments. We also manage a group of standard model asset allocation portfolios that are used in client accounts, when appropriate. In addition, we also manage an affiliate advisers’ custom portfolios, either on an individual basis or as part of our firm’s model portfolios.

Each portfolio is designed to meet the client's particular investment goals, risk tolerance and financial circumstances. The client’s individual investment strategy is tailored to their specific needs and include some or all of the previously mentioned strategies and securities. The investment adviser representative recommends a strategy after obtaining a reasonable belief that it is in the client’s best interest. Once a portfolio has been determined and agreed by the client, we review the portfolio periodically or as often as necessary and will rebalance and/or recommend modifications to the portfolio as needed.

Each investment adviser representative remains responsible for managing client portfolios directly or using Merit Investment Management to assist with managing client portfolios. The experience of our investment adviser representatives who in some circumstances, also serve as portfolio managers will vary from one individual to another. Along those same lines, performance results will also vary from one investment adviser representative to another.

We will manage the client’s investment portfolio on a discretionary or a non-discretionary basis. As a discretionary investment adviser, we will have the authority to supervise and direct the portfolio without prior consultation with the client. Under a non-discretionary arrangement, clients must be contacted prior to the execution of any trade in the account(s) under management.

Clients have the ability to impose certain reasonable written restrictions in the management of their investment portfolios, such as prohibiting the inclusion of certain types of investments in a portfolio or prohibiting the sale of certain investments held in the account at the commencement of the relationship. Each client should note, however, that restrictions imposed by a client could adversely affect the composition and performance of the client’s investment portfolio. Each client should also note that his or her investment portfolio is treated individually by giving consideration to each purchase or sale for the client’s account. For these and other reasons, performance of client investment portfolios within the same investment objectives, goals and/or risk tolerance could differ and clients should not expect

that the composition or performance of their investment portfolios would necessarily be consistent with those of clients invested in a similar portfolio.

We generally will not enter into an investment adviser relationship with a prospective client whose investment objectives we consider to be incompatible with our investment philosophy or strategies or where the prospective client seeks to impose unduly restrictive investment guidelines.

Clients have the ability to negotiate the fees to be charged for the services provided within the parameters set by Merit as disclosed in **Item 5 – Fees and Compensation** of this brochure. It is possible that different investment adviser representatives charges different fees for providing the same service to clients and different investment adviser representative (in coordination with Merit) charge their fees according to different methodologies. The specific level of services you will receive, the fees you will be charged, and when you will be charged fees will be specified in your asset management agreement (“Agreement”).

Merit is the sponsor of a wrap fee program (the “Wrap Program” or “Program”). Clients who participate in the Program pay a consolidated fee (“wrap fee”) that includes both the investment advisory fee and transaction execution costs. The wrap fee is based on a percentage of the value in the client’s account in the Program (“wrap fee account”). For more information about the Program please see the Wrap Fee Program Brochure, which is provided to the client at or before the time of establishing a wrap fee account.

Merit also offers “non-wrap” accounts, where the clients pay for transaction execution costs, over and above the advisory fee paid to Merit. While the client ultimately decides whether to open a wrap fee account or non-wrap fee account, the investment adviser representative has the fiduciary duty to recommend the account which they have a reasonable basis to believe is in the client’s best interest, both initially and ongoing.

Wrap fee programs create conflicts of interest for advisers and risks to investors. Examples include incentives for advisers trading less frequently than may be in the client’s best interest, engaging in transactions that reduce costs to the adviser but increase expenses borne by the client, or mis-billing by failing to incorporate certain covered transactions costs into the wrap fee – to the extent that advisers or their supervised persons have incentives to lower their internal costs. Clients may pay more or less by participating in the Wrap Program than if they arranged to receive the same or similar services in a non-wrap fee account. For example, accounts with low trading volumes, high cash balances, or significant fixed income weightings may be able to receive similar services at a lower cost outside of a wrap fee program. In order to mitigate this conflict of interest, Merit periodically reviews our advisory fees for wrap fee accounts compared with advisory fees for non-wrap fee accounts. Clients should be aware that while the advisory fee in a wrap fee account is typically higher than a non-wrap fee account, that is not always the case.

Clients should also be aware that a wrap fee account may cost you more or less than if the assets were held in a traditional brokerage account. In a brokerage account, you are charged commissions for each transaction, and the representative typically will not agree to monitor your account or provide ongoing advice with respect to the account. So, if you plan to follow a buy and hold investment strategy for the account or do not wish to receive ongoing investment advice or management services, you should consider opening a brokerage account rather than a wrap fee account.

When deciding whether one of our advisory services is appropriate for your needs, you should bear in mind that fee-based accounts often result in lower costs than commission-based accounts during periods of heavier trading. However, during periods of lighter trading a fee-based account may result in higher costs. Depending on various factors, the total cost for a fee-based account versus a commission-based account can vary significantly. Factors which affect the total cost include account size, amount of turnover, type and quantities of securities purchased or sold, commission rates, and your tax situation. It should also be noted that lower fees for comparable service may be available from other sources. You should discuss the advantages and disadvantages of fee-based and commission-based accounts with your investment adviser representative.

Although clients do not pay a transaction charge for transactions in a Wrap account, clients should be aware that Merit and/or your investment adviser representative pays the custodian of your account transaction charges for those transactions. The transaction charges paid by us vary based on the type of transaction (e.g., mutual fund, equity or ETF) and for mutual funds based on whether or not the mutual fund pays 12b-1 fees and/or recordkeeping fees to the custodian. Transaction charges paid by Merit/IAR for equities and ETFs are \$0 to \$9. For mutual funds, the transaction charges range from \$0 to \$45. Because Merit and/or your investment adviser representative pays the transaction charges in Wrap accounts, there is a conflict of interest in cases where the mutual fund is offered at both \$0 and \$45. Clients should understand that the cost to the Firm of transaction charges may be a factor that the investment adviser representative considers when deciding which securities to select and how frequently to place transactions in a Wrap account.

Our investment adviser representatives, in their separate capacity as registered representatives of LPL, will not receive a portion of the commissions or 12b-1 fees charged to you from an account where Merit serves as investment adviser. These commissions may include 12b-1 fees, surrender charges and IRA and qualified retirement plan fees. LPL retains all these commissions on advisory accounts managed by Merit.

In many instances, LPL Financial makes available mutual funds in wrap fee accounts that offer various classes of shares, including shares designated as Class A Shares and shares designed for advisory programs, which can be titled, for example, as "Class I," "institutional," "investor," "retail," "service," "administrative" or "platform" share classes ("Platform Shares"). The Platform Share class offered for a particular mutual fund in wrap fee accounts in many cases will not be the least expensive share class that the mutual fund makes available and was selected by LPL in certain cases because the share class pays LPL compensation for the administrative and recordkeeping services LPL provides to the mutual fund.

Clients should understand that other custodian(s) may offer the same mutual fund at a lower overall cost to the investor than is available through LPL wrap fee accounts. In other instances, a mutual fund may offer only Class A Shares, but another similar mutual fund may be available that offers Platform Shares. Class A Shares typically pay Custodian(s) a 12b-1 fee for providing shareholder services, distribution, and marketing expenses ("brokerage-related services") to the mutual funds. Platform Shares generally are not subject to 12b-1 fees. As a result of the different expenses of the mutual fund share classes, it is generally more expensive for a client to own Class A Shares than Platform Shares. An investor in Platform Shares will pay lower fees over time and keep more of his or her investment returns than an investor who holds Class A Shares of the same fund.

Merit has a financial incentive to recommend Class A or Non-transaction Fee (“NTF”) Shares in cases where both Class A or NTF and Platform Shares are available. This is a conflict of interest which might incline your investment adviser representative to render advice that is not disinterested. Although the client will not be charged a transaction fee for transactions, Merit pays LPL a per transaction charge for mutual fund purchases and sales in the account. Merit generally does not pay transaction charges for Class A or NTF Share mutual fund transactions accounts, but generally does pay transaction charges for Platform Share mutual fund transactions. The cost to your investment adviser representative and/or Merit of the transaction charges generally may be a factor which Merit and/or your investment adviser representative considers when deciding which securities to select and whether or not to place transactions in the account and presents a conflict of interest.

Merit’s internal policy regarding Mutual Fund shares class selection is that Merit Investment Management will make the appropriate shares class selection based on account type and account size, per our Merit Investment Management Policies and Procedures. Account balances below a specified threshold in standard model portfolios (as discussed below in **Item 8**) will invest in a Mutual Fund share class that are NTF funds, that pay a 12b-1 fee, but are not always Class A shares. This policy is reviewed on a quarterly basis. All model portfolios managed by individual investment advisers and not part of the standard model portfolios must be invested in Platform shares or best available share class based on the net expense ratio.

The lack of transaction charges to Merit for Class A or NTF Share purchases and sales, together with the fact that Platform Shares generally are less expensive for a client to own, presents a significant conflict of interest between Merit and/or your investment adviser representative and the client. In short, it costs us less to recommend and select Class A or NTF share mutual funds than Platform shares, but Platform shares will generally outperform Class A or NTF mutual fund shares on the basis of internal cost structure alone. Clients should understand this conflict and consider the additional indirect expenses borne as a result of the mutual fund fees when negotiating and discussing with your investment adviser representative the advisory fee for management of an account.

Before we assess any fees or provide formal advice, we will provide you with an Agreement for your review, understanding and signature. The Agreement includes the terms and conditions under which your assets will be managed. Your execution of the Agreement authorizes our firm to determine the specific securities, and the quantity of securities to be purchased or sold for your account for each transaction. The Agreement will remain in effect between you and us until terminated by either party in writing according to the terms within the Agreement.

The Agreement will include schedules of the investment accounts you wish us to manage, the specific fees we propose to charge and how we propose to bill and collect those fees. You also have the ability to impose reasonable limits on investment selections and sectors. However, the firm retains the right to decline to enter into a management agreement with any client whose investment restrictions are contrary to the firm’s investment strategies.

*Separate Account Managers/Third-Party Money Managers*

When appropriate and in accordance with the investment plan for a client, we may recommend the use of one or more Separate Account Managers/Third-Party Money



Managers, each a “Manager.” Having access to various Managers offers a wide variety of management styles and offers clients the opportunity to utilize more than one Manager if necessary, to meet the needs and investment objectives of the client. We will select or recommend the Manager(s) we deem most appropriate for the client. Factors that we consider in recommending/selecting Managers generally include the client’s stated investment objective(s), management style, performance, risk level, reputation, financial strength, reporting, pricing, and research. These Managers are also registered investment advisers and are not affiliated with Merit. We conduct initial and ongoing due diligence on any Manager recommended or used, which includes confirming that they are properly registered.

The Manager(s) will generally be granted discretionary trading authority to provide investment supervisory services for the portfolio. Under certain circumstances, the Firm retains the authority to terminate the Manager’s relationship or to add new Managers without obtaining the client’s consent. In other cases, the client will ultimately select one or more Managers recommended by us. Fees paid to such Manager(s) are separate from and in addition to the fee assessed by the Firm.

In any case, with respect to assets managed by a Manager, the Firm’s role will be to monitor the overall financial situation of the client, to monitor the investment approach and performance of the Manager(s), and to assist the client in understanding the investments of the portfolio.

Merit may offer advisory services to clients through the AssetMark Platform. For more information regarding the AssetMark Platform, refer to the AssetMark Platform Disclosure Brochure. The minimum investment required on the AssetMark Platform depends upon the Investment Solution (as defined in the AssetMark Platform Disclosure Brochure) chosen for a client’s account and is generally \$10,000 for Mutual Fund and \$25,000 for ETF Accounts, and from \$25,000 to \$1,000,000 for Privately Managed and Unified Managed Accounts, depending on the investment strategy selected for the account. These minimums are described in more detail in the Fees & Investment Minimum Table at the end of the AssetMark Platform Disclosure Brochure. Accounts below the stated minimums may be accepted on an individual basis at the discretion of AssetMark.

There can be other third-party managed programs not recommended by our firm, that are suitable for the client and that can be more or less costly than arrangements recommended by our firm. No guarantees can be made that a client’s financial goals or objectives will be achieved by a Manager recommended by Merit.

#### *Asset Management Services Sponsored by LPL Financial*

In addition to directly managing client assets, we may recommend the portfolio management services available through certain programs sponsored by LPL Financial, LLC (“LPL”), a registered investment advisor and broker-dealer. Below is a brief description of each LPL advisory program we recommend. For more information regarding the LPL programs, including the advisory services and fees that apply, the types of investments available in the programs and the potential conflicts of interest presented by the programs, please see the program account packet (which includes the account agreement and LPL Form ADV program brochure) and the Form ADV Par 2A of LPL or the applicable program.

- *Optimum Market Portfolios Program (“OMP”)*  
OMP offers clients the ability to participate in a professionally managed asset allocation program using Optimum Funds shares. Under OMP, clients will authorize LPL on a

discretionary basis to purchase and sell Optimum Funds pursuant to investment objectives chosen by the client. An investment adviser representative will assist the client in determining the suitability of OMP for the client and assist the client in setting an appropriate investment objective. An investment adviser representative will have discretion to select a mutual fund asset allocation portfolio designed by LPL consistent with the client's investment objective. LPL will have discretion to purchase and sell Optimum Funds pursuant to the portfolio selected for the client. LPL will also have authority to rebalance the account. A minimum account value of \$10,000 is required for OMP. In certain instances, LPL will permit a lower minimum account size.

- *Model Wealth Portfolios Program ("MWP")*  
MWP offers clients a professionally managed mutual fund asset allocation program. An investment adviser representative will obtain the necessary financial data from the client, assist the client in determining the suitability of the MWP program and assist the client in setting an appropriate investment objective. An investment adviser representative will initiate the steps necessary to open an MWP account and have discretion to select a model portfolio designed by LPL's Research Department consistent with the client's stated investment objective. LPL's Research Department, a third-party portfolio strategist and/or Adviser, through its IAR, may act as a portfolio strategist responsible for selecting the mutual funds or ETFs within a model portfolio and for making changes to the mutual funds or ETFs selected.

The client will authorize LPL to act on a discretionary basis to purchase and sell mutual funds and ETFs and to liquidate previously purchased securities. The client will also authorize LPL to effect rebalancing for MWP accounts.

MWP requires a minimum asset value for a program account to be managed. The minimums vary depending on the portfolio(s) selected and the account's allocation amongst portfolios. The lowest minimum for a portfolio is \$25,000. In certain instances, a lower minimum for a portfolio is permitted.

- *Managers Access Network ("MAN")*  
Manager Access Select offers clients the ability to participate in the Separately Managed Account Platform (the "SMA Platform") or the Model Portfolio Platform (the "MP Platform"). In the SMA Platform, an investment adviser representative will assist clients in identifying a third party portfolio manager (SMA Portfolio Manager) from a list of SMA Portfolio Managers made available by LPL, and the SMA Portfolio Manager manages client's assets on a discretionary basis. An investment adviser representative will provide initial and ongoing assistance regarding the SMA Portfolio Manager selection process. In the MP Platform, clients authorize LPL to direct the investment and reinvestment of the assets in their accounts, in accordance with the selected model portfolio provided by LPL's Research Department or a third-party investment advisor. A minimum account value of \$50,000 is required for Manager Access Select, however, in certain instances, the minimum account size may be lower or higher.
- *Manager Access Select ("MAS")*  
MAS is a separately managed wrap account program provided through the LPL Financial platform that offers clients access to professionally managed, customized strategies and a variety of institutional managers. We will obtain the necessary financial data from the client and assist the client in determining the suitability of the MAS program. We initiate

the steps necessary to open a MAS account and have discretion to select the overall models and portfolio managers, the managers are responsible for trading decisions and rebalancing within each asset class or account(s). We have the option to utilize LPL Financial's Research Department list of recommended money managers, whom have been heavily researched and engaged in a detailed vetting process. The client will authorize the money managers to act on a discretionary basis to purchase and sell individual securities, mutual funds, and ETFs. The minimum account value varies by strategy, but typically begins at \$50,000 for model delivery strategies, \$100,000 for equity strategies and \$250,000 for fixed income strategies.

- *Guided Wealth Portfolios ("GWP")*

GWP offers clients the ability to participate in a centrally managed, algorithm-based investment program, which is made available to users and clients through a web-based, interactive account management portal ("Investor Portal"). Investment recommendations to buy and sell exchange-traded funds and open-end mutual funds are generated through proprietary, automated, computer algorithms (collectively, the "Algorithm") of FutureAdvisor, Inc. ("FutureAdvisor"), based upon model portfolios constructed by LPL and selected for the account as described below (such model portfolio selected for the account, the "Model Portfolio"). Communications concerning GWP are intended to occur primarily through electronic means (including but not limited to, through email communications or through the Investor Portal), although an investment adviser representative will be available to discuss investment strategies, objectives, or the account in general in person or via telephone.

A preview of the Program (the "Educational Tool") is provided for a period of up to forty-five (45) days to help users determine whether they would like to become advisory clients and receive ongoing financial advice from LPL, FutureAdvisor and an investment adviser representative by enrolling in the advisory service (the "Managed Service"). The Educational Tool and Managed Service are described in more detail in the GWP Program Brochure. Users of the Educational Tool are not considered to be advisory clients of LPL, FutureAdvisor or Merit, do not enter into an advisory agreement with LPL, FutureAdvisor or Merit, do not receive ongoing investment advice or supervisions of their assets, and do not receive any trading services. A minimum account value of \$5,000 is required to enroll in the Managed Service.

### **Rollover Advice**

As an investment adviser, our objective is to provide services which are in the best interest of our clients. A client may consider rolling money out of a 401(k) or other retirement plan or IRA, and into a Merit IRA. Merit maintains policies and procedures that help to ensure that such a rollover is in the client's best interest. A conflict of interest exists for our investment adviser representatives as they have an economic incentive to offer advisory services, including recommending rollovers to clients. This applies to those services for which the advisory fee that we charge, and the compensation that the investment adviser representative receives, is a function of the assets under management. With respect to rollovers from qualified plans or IRAs, clients are under no obligation to roll them over to Merit and should carefully consider all relevant factors before doing so.

When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable,

which are laws governing retirement accounts. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours.

Under this special rule's provisions, we must:

- Meet a professional standard of care when making investment recommendations (give prudent advice);
- Never put our financial interests ahead of yours when making recommendations (give loyal advice);
- Avoid misleading statements about conflicts of interest, fees, and investments;
- Follow policies and procedures designed to ensure that we give advice that is in your best interest;
- Charge no more than is reasonable for our services; and
- Give you basic information about conflicts of interest.

Merit has taken steps to manage this conflict of interest, over and above the impartial conduct standard. We have implemented policies, procedures, and systems and provided training to help ensure compliance with the special rule. We will also be conducting a retrospective review over these recommendations as required by the rule.

### **Financial Planning and Consulting Services**

We provide a variety of financial planning services to individuals, families and other types of clients regarding the management of their financial resources. Our comprehensive planning services involve analysis of the client's overall financial situation, goals and objectives and typically addresses multiple financial planning topics based on the client's individual needs and circumstances. Comprehensive planning services clients will receive a full written financial plan. We also offer more limited-focus planning advice that covers only those specific areas of concern mutually agreed upon by us and the client.

Planning advice may encompass one or more of the following areas, but not limited to: Investment Planning, Retirement Planning, Estate Planning, Charitable Planning, Education Planning, Corporate and Personal Tax Planning, Cost Segregation Study, Corporate Structure, Real Estate Analysis, Mortgage/Debt Analysis, Insurance Analysis, Lines of Credit Evaluation, Business and Personal Financial Planning.

Our planning advice generally includes financial recommendations for a course of activity or specific actions to be taken by the client. For example, recommendations may be made that the client begins or revises investment programs, create or revise wills or trusts, obtain or revise insurance coverage, commence or alter retirement savings, or establish education or charitable giving programs.

In some situations, the client can elect to receive a verbal summary of our review, conclusions, and recommendations. However, when financial planning services are comprehensive in nature, we typically prefer to prepare a written financial plan. The client's Advisory Services Agreement with us will set forth the type of report the client will receive.

Our financial planning and consulting services do not involve our implementing any transaction on your behalf or the active and ongoing monitoring or management of your

investments or accounts. Clients are under no obligation to act on the financial planning recommendations, either with Merit or another investment adviser. You have the sole responsibility for determining whether to implement our financial planning and consulting recommendations. To the extent that you would like to implement any of our investment recommendations through Merit or retain the firm to actively monitor and manage your investments, you must execute a separate written asset management agreement with us for those services.

It should be noted that we may refer clients to an accountant, attorney or other specialist, as necessary for non-advisory related services. Implementation of the recommendations will be at the discretion of the client.

### **Merit Compass Program**

Merit Compass is a program offered to help clients realize the value of their employer's benefits package, understand all options available within their benefits package, and how to take advantage of those benefits to work towards a secure future. These services are offered on an employee participant level. We analyze the client's situation and the employer's benefits options in light of current market conditions. Our goal is to help clients to minimize their risk while also taking advantage of changing market conditions and trends to help their goals become reality. The Merit Compass Program includes, but is not limited to, analyses of the client's current retirement plan options, investment selection and rebalancing. The client is responsible for implementing the recommendations we provide at their discretion.

### **Financial Wellness Program**

Financial health is a major component of employee wellness and can drive engagement, productivity and success. We partner with an outside company to introduce their turnkey financial wellness program, which provides employers with the tools to measure and help improve their employees' financial well-being. This service and entity is separate from our investment advisory services and our investment adviser representatives are not compensated for this referral. It is essentially a tool that advisers within Merit may provide their retirement plan employers as part of the employer's benefits package.

### **Retirement Plan Advisory Services**

Merit offers (1) Discretionary Investment Management Services, (2) Non-Discretionary Investment Advisory Services and/or (3) Retirement Plan Consulting Services to employer-sponsored retirement plans and their participants. Depending on the type of the Plan and the specific arrangement with the Sponsor, we may provide one or more of these services. Prior to being engaged by the Sponsor, we will provide a copy of this Form ADV Part 2A along with a copy of our Privacy Policy and the Investment Fiduciary & Retirement Plan Consulting Agreement (the "Agreement") that contains the information required under Sec. 408(b)(2) of the Employee Retirement Income Security Act ("ERISA") as applicable.

The Agreement authorizes our IARs to deliver one or more of the following services:

#### **Discretionary Investment Management Services**

These services are designed to allow the Plan fiduciary to delegate responsibility for managing, acquiring and disposing of Plan assets that meet the requirements of the Employee Retirement Income Security Act of 1974 ("ERISA"). We will perform these investment management services through our IARs and charge fees as described in this Form ADV and the Agreement. If the Plan is subject to ERISA, we will perform these services as an

“investment manager” as defined under ERISA Section 3(38) and as a “fiduciary” to the Plan as defined under ERISA Section 3(21). Specifically, we may agree with the Sponsor to perform one or more of the following services:

- SELECTION, MONITORING & REPLACEMENT OF DESIGNATED INVESTMENT ALTERNATIVES ("DIAs"): Merit will review with Sponsor the investment objectives, risk tolerance and goals of the Plan and provide to Sponsor an IPS that contains criteria from which we will select, monitor and replace the Plan's DIAs. Once approved by Sponsor, we will review the investment options available to the Plan and will select the Plan's DIAs in accordance with the criteria set forth in the IPS. On a periodic basis, we will monitor and evaluate the DIAs and replace any DIA(s) that no longer meet the IPS criteria.
- CREATION & MAINTENANCE OF MODEL ASSET ALLOCATION PORTFOLIOS ("MODELS") Merit will create a series of risk-based Models comprised solely among the Plan's DIAs; and, on a periodic basis and/or upon reasonable request, we will reallocate and rebalance the Models in accordance with the IPS or other guidelines approved by Sponsor.
- SELECTION & REPLACEMENT OF THIRD-PARTY ADVISORS AND/OR MANAGERS: Merit will review with Sponsor the investment objectives, risk tolerance and goals of the Plan and provide to Sponsor an IPS or other documentation that contains criteria from which we will select, monitor and replace the Plan's third-party investment managers. Once the IPS is approved, we will select appropriate managers to manage all or a portion of the Plan's investments. We will monitor the manager(s) in accordance with the IPS and will replace any manager(s) that are no longer meeting the IPS criteria. We must have a limited power of attorney in order to hire any managers on behalf of the Plan.
- SELECTION, MONITORING & REPLACEMENT OF QUALIFIED DEFAULT INVESTMENT ALTERNATIVES ("QDIA(s)") Based upon the options available to the Plan, Merit will select, monitor and replace the Plan's QDIA(s) in accordance with the IPS.
- MANAGEMENT OF TRUST FUND: Merit will review with Sponsor the investment objectives, risk tolerance and goals of the Plan and provide to Sponsor an IPS that contains criteria from which we will select, monitor and replace the Plan's investments. Once approved by Sponsor, we will review the investment options available to the Plan and will select the Plan's investments in accordance with the criteria set forth in the IPS. On a periodic basis, we will monitor and evaluate the investments and replace any investment(s) that no longer meet the IPS criteria.

#### Non-Discretionary Fiduciary Services

These services are designed to allow the Sponsor to retain full discretionary authority or control over assets of the Plan. We will solely be making recommendations to the Sponsor. We will perform these Non-Discretionary investment advisory services through our IARs and charge fees as described in this Form ADV and the Agreement. If the Plan is covered by ERISA, we will perform these investment advisory services to the Plan as a "fiduciary" defined under ERISA Section 3(21). The Sponsor may engage us to perform one or more of the following Non-Discretionary investment advisory services:

- INVESTMENT POLICY STATEMENT ("IPS"): Merit will review with Sponsor the investment objectives, risk tolerance and goals of the Plan. If the Plan does not have

an IPS, we will provide recommendations to Sponsor to assist with establishing an IPS. If the Plan has an existing IPS, we will review it for consistency with the Plan's objectives. If the IPS does not represent the objectives of the Plan, we will recommend revisions to Sponsor to align the IPS with the Plan's objectives.

- **ADVICE REGARDING DESIGNATED INVESTMENT ALTERNATIVES ("DIAs"):** Based on the Plan's IPS or other guidelines established by the Plan, Merit will review the investment options available to the Plan and will make recommendations to assist Sponsor with selecting DIAs to be offered to Plan participants. Once Sponsor selects the DIAs, we will, on a periodic basis and/or upon reasonable request, provide reports and information to assist Sponsor with monitoring the DIAs. If a DIA is required to be removed, we will provide recommendations to assist Sponsor with replacing the DIA.
- **ADVICE REGARDING MODEL ASSET ALLOCATION PORTFOLIOS ("MODELS"):** Based on the Plan's IPS or other guidelines established by the Plan, Merit will make recommendations to assist Sponsor with creating risk-based Models comprised solely among the Plan's DIAs. Once Sponsor approves the Models, we will provide reports, information and recommendations, on a periodic basis, designed to assist Sponsor with monitoring the Models. Upon reasonable request, and depending upon the capabilities of the recordkeeper, we will make recommendations to Sponsor to reallocate and/or rebalance the Models to maintain their desired allocations.
- **ADVICE REGARDING THIRD-PARTY ADVISORS AND/OR MANAGERS:** Based on the Plan's IPS or other investment guidelines established by the Plan, we will review the third-party investment managers available to the Plan and will make recommendations to assist Sponsor with selecting a manager to manage some or all of the Plan's investments. Once Sponsor approves the manager(s), we will provide reports, information and recommendations, on a periodic basis, designed to assist Sponsor with monitoring the managers. If the IPS criteria require any manager to be removed, we will provide recommendations to assist Sponsor with evaluating replacement managers.
- **ADVICE REGARDING QUALIFIED DEFAULT INVESTMENT ALTERNATIVE ("QDIA(s")):** Based on the Plan's IPS or other guidelines established by the Plan, Merit will review the investment options available to the Plan and will make recommendations to assist Sponsor with selecting or replacing the Plan's QDIA(s).
- **PARTICIPANT INVESTMENT ADVICE:** Merit will meet with Plan participants, upon reasonable request, to collect information necessary to identify the Plan participant's investment objectives, risk tolerance, time horizon, etc. we will provide written recommendations to assist the Plan participant with creating a portfolio using the Plan's DIAs or Models, if available. The Plan participant retains sole discretion over the investment of his/her account.
- **ADVICE REGARDING INVESTMENT OF TRUST FUND:** Based on the Plan's IPS, Merit will review the investment options available to the Plan and will make recommendations to assist Sponsor with selecting investments that meet the IPS criteria. Once Sponsor selects the investment(s), Advisor will, on a periodic basis and/or upon reasonable request, provide reports and information to assist Sponsor with monitoring the investment(s). If the IPS criteria require any investment(s) to be replaced, we will provide recommendations to assist Sponsor with replacing the investment(s).

### Retirement Plan Consulting Services

Retirement Plan Consulting Services are designed to allow our IARs to assist the Sponsor in meeting his/her fiduciary duties to administer the Plan in the best interests of Plan participants and their beneficiaries. Retirement Plan Consulting Services are performed so that they would not be considered "investment advice" under ERISA. The Sponsor may elect for our IARs to assist with any of the following services:

- Administrative Support
  - Assist Sponsor in reviewing objectives and options available through the Plan
  - Review Plan committee structure and administrative policies/procedures
  - Recommend Plan participant education and communication policies under ERISA 404(c)
  - Assist with development/maintenance of fiduciary audit file and document retention policies
  - Deliver fiduciary training and/or education periodically or upon reasonable request
  - Assist with coordinating Plan participant disclosures under ERISA 404(a)
  - Recommend procedures for responding to Plan participant requests
- Service Provider Support
  - Assist fiduciaries with a process to select, monitor and replace service providers
  - Assist fiduciaries with review of Covered Service Providers ("CSP") and fee benchmarking
  - Provide reports and/or information designed to assist fiduciaries with monitoring CSPs
  - Assist with use of ERISA Spending Accounts or Plan Expense Recapture Accounts to pay CSPs
  - Assist with preparation and review of Requests for Proposals and/or Information
  - Coordinate and assist with CSP replacement and conversion
- Investment Monitoring Support
  - Periodic review of investment policy in the context of Plan objectives
  - Assist the Plan committee with monitoring investment performance
  - Assist with monitoring Designated Investment Managers and/or third-party advice providers
  - Educate Plan committee members, as needed, regarding replacement of DIA(s) and/or QDIA(s)
- Participant Services
  - Facilitate group enrollment meetings and coordinate investment education
  - Assist Plan participants with financial wellness education, retirement planning and/or gap analysis

### Potential Additional Retirement Services Provided Outside of the Agreement

Merit and our IARs, in the course of providing Retirement Plan Services or otherwise, may establish a client relationship with one or more plan participants or beneficiaries. Such client relationships develop in various ways, including, without limitation:

- as a result of a decision by the plan participant or beneficiary to engage us for services not involving the use of plan assets;



- as part of an individual or family financial plan for which any specific recommendations concerning the allocation of assets or investment recommendations relating to assets held outside of a plan; or
- through a rollover of an Individual Retirement Account ("IRA Rollover").

In providing these optional services, we may offer employers and employees information on other financial and retirement products or services offered by us and our IARs. If we are providing Retirement Plan Services to a plan, IARs may, when requested by a participant or beneficiary, arrange to provide services to that participant or beneficiary through a separate agreement.

When a participant requests assistance with an IRA Rollover from his/her plan to an account advised or managed by us, we will have a conflict of interest if our fees are reasonably expected to be higher than those we would otherwise receive in connection with the Retirement Plan Services. For participants invested in plans which we do not advise, we also have a conflict of interest given that we may not earn any compensation if they remain invested in their current plan. We will disclose relevant information about the applicable fees charged by us prior to opening an IRA account. Any decision to affect the rollover or about what to do with the rollover assets remain that of the plan participant or beneficiary alone.

#### Individually Tailored Services

When providing investment fiduciary services, we will tailor our advice or (if applicable) discretion to meet the investment policies or other written guidelines adopted by the Sponsor. When providing Participant Investment Advice, such advice will be based upon the investment objectives, risk tolerance and investment time horizon of each individual Plan participant.

#### Fiduciary Consulting Services

- **Investment Selection Services:** We will provide Retirement Plan Fiduciaries with recommendations of investment options consistent with ERISA section 404(c). Retirement Plan Fiduciaries retain responsibility for the final determination of investment options and for compliance with ERISA section 404(c).
- **Non-Discretionary Investment Advice:** We will provide Retirement Plan Fiduciaries and Retirement Plan Participants general, non-discretionary investment advice regarding asset classes and investments.
- **Investment Monitoring:** We will assist in monitoring the retirement plan's investment options by preparing periodic investment reports that document investment performance, consistency of fund management and conformation to the guidelines set forth in the investment policy statement and make recommendations to maintain or remove and replace investment options. The details of this aspect of service will be enumerated in the engagement agreement between the parties.

#### Fiduciary Management Services

- **Discretionary Management Services:** When retained as an investment manager within the meaning of ERISA § 3(38), we will provide continuous and ongoing

supervision over the designated retirement plan assets. We will actively monitor the designated retirement plan assets and provide ongoing management of the assets. When applicable, we will have discretionary authority to make all decisions to buy, sell or hold securities, cash or other investments for the designated retirement plan assets in our sole discretion without first consulting with the Retirement Plan Fiduciaries. We will also have the power and authority to carry out these decisions by giving instructions, on your behalf, to brokers and dealers and the qualified custodian(s) of the Retirement Plan for our management of the designated retirement plan assets.

- Investment Management via Model Portfolios: We will provide discretionary management of Model Portfolios among which the participants may choose to invest as retirement plan options. Retirement Plan Participants will also have the option of investing only in options that do not include Model Portfolios (i.e., the Retirement Plan Participants may elect to invest in one or more of the mutual fund options made available in the Retirement Plan and choose not to invest in the Model Portfolios at all).

#### *Non-Fiduciary Services*

- Participant Education: We will provide education services to Retirement Plan Participants about general investment principles and the investment alternatives available under the Retirement Plan. Education presentations will not take into account the individual circumstances of each Retirement Plan Participant and individual recommendations will not be provided unless a Retirement Plan Participant separately engages us for such services. Retirement Plan Participants are responsible for implementing transactions in their own accounts.
- Participant Enrollment: We will assist with group enrollment meetings designed to increase retirement plan participation among employees and investment and financial understanding by the employees.

#### **Educational Workshops and Seminars**

From time to time, we may offer expertise, at no cost, through educational financial workshops presented for individuals and business owners. Presentations focus on a variety of investment and financial planning topics.

## **Item 5. Fees and Compensation**

### **General Fee Information**

Our fees are separate and distinct from the internal fees and expenses charged by third-party managers, mutual funds, exchange traded funds (“ETFs”) or other investment pools to their shareholders. Fund company fees and expenses may include a management fee, administrative fees, operating costs, other fund expenses, sometimes a distribution fee, also known as a 12b-1 fee, and any other asset-based costs incurred by the fund. Some funds may also impose sales charges, either as an initial or deferred sales charge, also known as front-end or back-end loads. Some mutual funds or ETFs that are redeemed within a certain time frame may incur a short-term redemption fee. Further information on the fees and expenses of individual holdings can be found in the prospectuses of the relevant mutual funds or ETFs

in your portfolio. You may also incur variable annuity/insurance fees and surrender charges. Merit does not receive any portion of the above fees.

Custodians may also deduct certain fees and expenses directly from your account, such as administrative service fees, fees associated with certain money market and mutual funds, or fees on other services it offers, which are typically driven by a client's particular situation and needs. Examples of the latter could include debit balances, related margin interest, IRA and retirement plan fees, transfer fees, wire transfer fees, overnight check fees, account closing fees, paper statement delivery fees, non-standard asset fees, insufficient fund fees, returned check fees, or fees imposed by regulators. Merit does not receive any of these fees.

It is also important to note that it is possible, different investment adviser representatives may charge different fees for providing the same types and level of service to clients. The specific level of services you will receive and the fees you will be charged will be specified in your Asset Management Agreement. The annual fee for asset management services is divided and paid quarterly through a direct debit to your account. The annual fee is billed either quarterly in advance based on the market value of the assets under management on the last day of the preceding quarter or quarterly in arrears based on the market value of the assets under management on the last day of the calendar quarter. <sup>1</sup>Fees billed quarterly in advance are adjusted pro-rata for contributions and withdrawals to the account. Fees billed quarterly in arrears are not adjusted for contributions or withdrawals to the account. The client should review our fees and the fees charged by managers, funds, brokers, and others to fully understand the total amount of fees paid by the client for investment and financial-related services. Please see ***Item 12 - Brokerage Practices*** for additional information.

### **Asset Management Fees**

#### *Direct Asset Management Fees*

The annual investment advisory fee charged ranges up to a maximum of 2.50% of the assets held in the account. Asset Management Fees are negotiable depending on the Investment Adviser Representative (IAR) providing the management services, the market value of the account, asset types, complexity of the client's portfolio, the client's financial situation, level of portfolio trading activity, anticipated future assets, the relationship of the client to the IAR and additional services requested or performed. Fee waivers or discounts can be offered to Owners, Directors, Officers and associated persons of Merit and our related companies in addition to family members and friends of associated persons of Merit which are not available to clients.

It is important to note that it is possible that different investment adviser representatives may charge different fees for providing the same types and level of service to clients. The specific level of services you will receive and the fees you will be charged will be specified in your asset management agreement. Asset management fees are payable quarterly, either in advance or arrears depending on the custodian and client agreement.

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<sup>1</sup> **1** For accounts maintained at Fidelity Institutional, Charles Schwab, TD Ameritrade (or their affiliates), fees will only be prorated for intra-quarter deposits or withdrawals of \$100,000 or greater.

The annual fee for asset management services is divided and paid quarterly through a direct debit to your account. The annual fee is billed either quarterly in advance based on the market value of the assets under management on the last day of the preceding quarter or quarterly in arrears based on the market value of the assets under management on the last day of the calendar quarter. Fees billed quarterly in advance are adjusted pro-rata for contributions and withdrawals to the account.<sup>2</sup> Fees billed quarterly in arrears are not adjusted for contributions or withdrawals to the account. If management begins after the start of the quarter, fees will be prorated accordingly. Our fees may be negotiable, and in certain circumstances, clients could be provided a tiered fee schedule, or a flat fee could be charged for asset management services.

Fees are generally automatically deducted from the client's managed account in accordance with the authority granted by the client pursuant to the executed Asset Management Agreement. Clients should receive account statements from the custodian at least quarterly, reflecting the value of their account holdings and all deposits and disbursements from their account(s), including the amount of the advisory fees paid to us.

Merit believes that its annual fee is reasonable in relation to the services provided and fees charged by other investment advisers offering similar services/programs. However, our fees may be higher or lower than fees charged by other financial professionals offering similar services.

As discussed in Item 4, clients who participate in the Wrap Program pay a wrap fee that includes both the investment advisory fee and transaction execution costs. The wrap fee is based on a percentage of the value in the client's account in the Program ("wrap fee account"). For more information about the Program please see the Wrap Fee Program Brochure, which is provided to the client at or before the time of establishing a wrap fee account. However, for non-wrap accounts, clients pay for transaction execution costs, over and above the advisory fee paid to Merit.

Wrap fee programs create conflicts of interest for advisers and risks to investors. Examples include incentives for advisers trading less frequently than may be in the client's best interest, engaging in transactions that reduce costs to the adviser but increase expenses borne by the client, or mis-billing by failing to incorporate certain covered transactions costs into the wrap fee – to the extent that advisers or their supervised persons have incentives to lower their internal costs. Clients may pay more or less by participating in the Wrap Program than if they arranged to receive the same or similar services in a non-wrap account. For example, accounts with low trading volumes, high cash balances, or significant fixed income weightings may be able to receive similar services at a lower cost outside of a wrap fee program. In order to mitigate this conflict of interest, Merit periodically reviews our advisory fees for wrap accounts compared with advisory fees for non-wrap accounts.

In the event that you wish to terminate our services, we will refund the unearned portion of our advisory fee to you. Upon notification of termination or within a reasonable time after

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<sup>2</sup> For accounts maintained at Fidelity Institutional, Charles Schwab, TD Ameritrade (or their affiliates), fees will only be prorated for intra-quarter deposits or withdrawals of \$100,000 or greater.

learning of your termination of our services, we will seek to return pro-rata, a refund of unearned advisory fees.

#### *Billing Cycle*

Annual asset management fees which we bill in advance, are calculated on a quarterly basis at the beginning of a quarter. Fees are based on the value of the account on the last business day of the previous quarter. For accounts maintained at Fidelity Institutional, Charles Schwab, TD Ameritrade or their affiliates, if asset management services are commenced in the middle of a billing period, the prorated fee for the initial billing period is billed in arrears at the same time as the next full billing period's fee is billed. In the event that a deposit in excess of \$100,000<sup>3</sup> occurs during a billing period after the fee calculation, the fee for the billing period will be recalculated at the end of the billing period and Merit will bill you a second fee pro-rata, in arrears, on the additional deposits. In the event that a withdrawal in excess of \$100,000 occurs during a billing period after the fee calculation, the fee for that billing period will be recalculated at the end of the billing period and you will be refunded the pro-rata fee that was attributable to the amount of the withdrawal.

For annual asset management fees which we bill quarterly in arrears, the fees are based on the value of the account on the last business day of the previous quarter. If management begins after the start of the quarter, fees will be prorated accordingly.

The Custodian will send client statements at least quarterly, showing all payouts from the account including the advisory fee, if deducted from the account.

#### *Separate Account Manager/Third-Party Money Manager Fees*

Fees for services rendered by Managers on Separately Managed Accounts ("SMAs") are either charged to the client directly by the Manager or bundled together when we charge our advisory fee. Our advisory fee on SMAs is typically the same as what our advisory fee would be if we managed the portfolio ourselves. The Manager's fee is typically a fixed fee that will be disclosed to the client within the Asset Management Agreement and is in addition to our advisory fee. The fee paid to the Manager can be higher or lower than our fee depending on the type of investment strategy utilized within the account. The terms and conditions under which the client shall engage the Manager shall generally be set forth in a tri-party agreement between the client, our firm and the designated Manager.

In certain cases, our investment adviser representatives recommend clients to third party investment advisers that offer asset management services to clients. We are paid by third party money managers when we recommend you to them and you decide to open a managed account. Fees paid to us by third party money managers are generally ongoing. The separate written disclosures provided include a copy of the third-party money manager's Form ADV Part 2, all relevant Brochures, detailing the fees we are paid, and a copy of the third-party money manager's privacy notice. The third-party money managers we recommend will not directly charge you a higher fee than they would have charged without us introducing you to them. Third party money managers establish and maintain their own separate billing processes over which we have no control. In general, they will directly bill you and describe

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<sup>3</sup> For accounts maintained at Fidelity Institutional, Charles Schwab, TD Ameritrade (or their affiliates), fees will only be prorated for intra-quarter deposits or withdrawals of \$100,000 or greater.

how this works in their separate written disclosure documents. Please see ***Item 10 – Other Financial Affiliations and Activities*** for more information.

Fees and compensation for using the AssetMark Platform, are provided in more detail in the AssetMark Platform Disclosure Brochure. Fees and Investment Minimums schedules are included AssetMark's Platform Disclosure Brochure and the Client Billing Authorization will also state the fee applicable to your account. The fees applicable to each Account on the AssetMark Platform will include a Financial Advisor Fee and a Platform Fee, which includes any Strategist or Manager Fee, as applicable, and most custody fees. The Platform Fee Schedules for the various Investment Solutions are listed in the Fees & Minimum table, at the end of the Platform Disclosure Brochure. Other fees for special services may also be charged. The Client should consider all applicable fees. Client fees are payable quarterly, in advance, based on assets under management. Clients may terminate AssetMark accounts at any time and receive a full pro-rata refund of any unearned fees.

*Fees for Asset Management Services Sponsored by LPL Financial*

Annualized fees for participation in LPL Financial advisory programs are negotiable and vary up to maximum of 2.50%. We can share in the account fee and other fees associated with program accounts with LPL Financial. Account fees are payable quarterly in advance. For specific information regarding the fees associated with the LPL Financial programs, please see the applicable LPL Brochure (or Wrap Brochure) and LPL client agreement.

LPL Financial serves as program sponsor, investment advisor and broker-dealer for the LPL Financial advisory programs. Many of our associated persons are also registered representatives of LPL Financial; further, transactions in LPL Financial advisory program accounts are generally effected through LPL Financial as the executing broker-dealer, and no brokerage commissions are charged to the account. We receive compensation as a result of a client's participation in an LPL Financial program. Depending on, among other things, the size of the account, changes in its value over time, the ability to negotiate fees or commissions, and the number of transactions, the amount of this compensation may be more or less than what the investment adviser representative would receive if the client participated in other programs, whether through LPL Financial or another sponsor, or paid separately for investment advice, brokerage and other services. As such, that presents a conflict of interest.

Clients should consider the level and complexity of the advisory services to be provided when negotiating the account fee (or the investment adviser representative fee portion of the account fee, as applicable) with Merit. With regard to accounts utilizing third-party portfolio managers under aggregate, all-in-one account fee structures, because the portion of the account fee retained by us varies depending on the portfolio strategist fee associated with a portfolio, the firm has a financial incentive to select one portfolio instead of another portfolio. As such, that presents a conflict of interest.

Please refer to the relevant LPL Form ADV program brochure for a more detailed discussion of conflicts of interest.

**Financial Planning Fees**

We generally charge a flat fee for financial planning services. The fee is typically prorated and payable on a monthly or quarterly basis in a number of approximately equal payments. We will invoice you on a periodic basis at the end of each period. In some situations, the fee

is payable upon the delivery of the services to the client. The total estimated fee, as well as the ultimate fee that we charge you, is based on the scope and complexity of our engagement with you and typically will not exceed \$80,000. In more complex planning engagements, we may impose an hourly based fee not to exceed \$500 per hour. In such instances we reserve the right to invoice you on a periodic basis as work is incurred according to our then-current billing practices or upon delivery of our services. Clients may be required to deposit a retainer at the time the Advisory Services Agreement is signed, prior to our commencement of planning services. The retainer will be applied to the client's final charge. The client's financial planning fee arrangement and retainer requirement is detailed in the client's Advisory Services Agreement with us.

In most instances, these services automatically renew on an annual basis. Either party may terminate services at any time upon notice to the other party. Termination will be effective immediately upon receipt of notice. The client will be responsible for the time expended to the date notice of termination was received. We will provide a statement detailing the time expended by the client's IAR and the pro-rated amount refunded to or due from the client. The fee may be billed monthly, quarterly, or annually and is payable in arrears or advance depending on the arrangement.

You may pay the investment advisory fees owed for the financial planning services by submitting payment directly (for example, by check), having the fee deducted from an existing investment account, or credit card. If you elect to pay by credit card, you will be responsible for providing all credit card information to an unaffiliated credit card processing service provider. You will also be responsible for approving the initial payment for one-time charges and/or for the on-going payment schedule for the ongoing service provided your investment adviser representative. The unaffiliated credit card processor will process payment requests in the amounts and on such time frames (monthly, quarterly etc.) as specified in your Advisory Services Agreement. All charges for using the credit card processing service will be borne by Merit and/or our investment adviser representatives. Merit will be paid the financial planning fee net of any processing charges imposed by the credit card processor. If you elect to pay by automatic deduction from an existing investment account, you will provide written authorization to the appropriate custodian for such charge. You should notify Merit or your investment adviser representative(s) within ten (10) days of receipt of an invoice if you have questions about or dispute any billing entry.

#### **Merit Compass Program Fees**

Clients participating in the Merit Compass program are charged an annual fee of \$299, payable at the time the client agreement is signed. Clients may then elect to have fees billed directly to them, to have fees automatically deducted from an existing account, or to have fees paid by a direct credit card payment authorization going forward. Your account custodian may require written authorization to have fees deducted and paid directly to us. Services are automatically renewed on the anniversary date of the original agreement at the same price as was agreed upon unless terminated by the parties.

Either party may terminate Merit Compass Program services by providing notice to the other party. Termination will be effective immediately upon receipt of notice.

#### **Retirement Plan Advisory Service Fees**

Fees for the Retirement Plan Services (“Fees”) are negotiable and vary based upon the nature, scope and frequency of our services as well as the size and complexity of the plan. Our fees may be;

- Asset-Based Fees,
- Flat Fees that are negotiable based upon size of plan, number of participants, nature, scope and frequency of services provided, or
- Project or Hourly Fees that are negotiable based upon scope of work performed.

Depending upon the capabilities and requirements of the Plan’s recordkeeper or custodian, we may collect our Fees in arrears or in advance. Typically, Sponsors instruct the Plan’s recordkeeper or custodian to automatically deduct our Fees from the Plan account; however, in some cases a Sponsor may request that we send invoices directly to the Sponsor or recordkeeper/custodian.

Sponsors receiving Retirement Plan Services may pay more than or less than a client might otherwise pay if purchasing the Retirement Plan Services separately or through another service provider. There are several factors that determine whether the costs would be more or less, including, but not limited to, the size of the Plan, the specific investments made by the Plan, the number of or locations of Plan participants, services offered by another service provider, and the actual costs of Retirement Plan Services purchased elsewhere. In light of the specific Retirement Plan Services offered by us, the Fees charged may be more or less than those of other similar service providers.

In determining the value of the Account for purposes of calculating any asset-based Fees, Advisor will rely upon the valuation of assets provided by Sponsor or the Plan’s custodian or recordkeeper without independent verification.

Unless we agree otherwise, no adjustments or refunds will be made in respect of any period for (i) appreciation or depreciation in the value of the Plan account during that period or (ii) any partial withdrawal of assets from the account during that period. If the Agreement is terminated by us or by Sponsor, we will refund certain Fees to Sponsor to the extent provided in Section 8 of the Agreement. Unless we agree otherwise, all Fees shall be based on the total value of the assets in the account without regard to any debit balance.

All Fees paid to us for Retirement Plan Services are separate and distinct from the fees and expenses charged by mutual funds, variable annuities and exchange-traded funds to their shareholders. These fees and expenses are described in each investment’s prospectus. These fees will generally include a management fee, other expenses, and possible distribution fees. If the investment also imposes sales charges, a client may pay an initial or deferred sales charge. The Retirement Plan Services we provide may, among other things, assist the client in determining which investments are most appropriate to each client’s financial condition and objectives and to provide other administrative assistance as selected by the client. Accordingly, the client should review both the fees charged by the funds, the fund manager, the Plan’s other service providers and the fees charged by us to fully understand the total amount of fees to be paid by the client and to evaluate the Retirement Plan Services being provided.

In the event we receive any third-party payments or subsidies in connection with our Retirement Plan Services, we will disclose such fees to Sponsors in accordance with ERISA and Department of Labor regulations.



No increase in the Fees will be effective without prior written notice.

### **Other Fixed Fee Programs**

Clients participating in the option strategy program may be charged either a negotiable fixed fee or an asset-based fee. Clients receiving business owner succession consulting services will pay a negotiable fixed fee.

### **Other Compensation**

Many of our investment adviser representatives are licensed insurance agents and are also associated with LPL Financial as broker-dealer registered representatives (“Dually Registered Persons”). As such, they are entitled to receive commissions or other remuneration on the sale of securities and insurance products, including distribution or service (“trail”) fees from the sale of mutual funds in non-advisory accounts. The recommendation that a client purchase a commission product from our Dually Registered Persons presents a conflict of interest as the receipt of commissions provides an incentive to recommend investment products based on the commission to be received, rather than on a particular client’s need. No client is under any obligation to purchase any commission product from our Dually Registered Persons. To mitigate this conflict of interest, our Dually Registered Persons, are supervised by both LPL Financial and our Firm’s compliance programs. The firm’s Chief Compliance Officer remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.

As a result of this relationship, LPL Financial may have access to certain confidential information (e.g., financial information, investment objectives, transactions, and holdings) about our clients, even if the client does not establish any account through LPL Financial. If you would like a copy of LPL Financial’s privacy notice, please contact us.

### ***Expense Reimbursements***

We will from time to time receive expense reimbursement for travel and/or marketing expenses from distributors of investment and/or insurance products. Travel expense reimbursements are typically a result of attendance at due diligence and/or investment training events hosted by product sponsors. Marketing expense reimbursements are typically the result of informal expense sharing arrangements in which product sponsors underwrite the costs incurred for marketing such as client appreciation events, advertising, publishing, and seminar expenses. Although receipt of these travel and marketing expense reimbursements are not predicated upon specific sales quotas, the product sponsor reimbursements are typically made by those sponsors for which sales have been made or for which it is anticipated sales will be made. This creates a conflict of interest in that there is an incentive to recommend certain products and investments based on the receipt of this compensation instead of what is in the best interest of our clients. We attempt to control this conflict by always basing investment decisions on the individual needs of our clients.

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

The Firm does not have any performance-based fee arrangements. “Side-by-Side Management” refers to a situation in which the same firm manages accounts that are billed based on a percentage of assets under management and at the same time manages other accounts for which fees are assessed on a performance fee basis. Because we have no performance-based fee accounts, we have no side-by-side management.

## **Item 7. Types of Clients**

We serve individuals, high net worth individuals, pension and profit-sharing plans, corporations, trusts, estates, foundations, endowments, charitable organizations, or other institutions. We may impose a minimum fee or minimum account balance for our asset management services, as set forth in the Asset Management Agreement.

Our Retirement Plan Services are available to clients that are sponsors or other fiduciaries to plans, including 401(k), 457(b), 403(b) and 401(a) plans. Plans include participant-directed defined contribution plans and defined benefit plans. Plans may or may not be subject to ERISA. We do not require a minimum asset amount for Retirement Plan Consulting Services.

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

The firm's primary investment strategy is to structure client portfolios that are designed to build long-term wealth in line with each client's financial objectives, while staying within their risk tolerance and loss threshold levels. We may also recommend short term purchases with the expectation that the security will be sold within a relatively short period of time, generally less than one year. We may also advise other strategies that we feel are in the client's best interest, based on their particular investment goals, risk tolerance and financial circumstances. Our six guiding principles for investment management are as follows:

1. **Objective and Independent:** In order to provide our clients with the highest quality investment advice, we must stay completely independent and objective.
2. **Diversify our Investments:** Building wealth by being concentrated. Preserving wealth by being diversified. There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.
3. **Invest with Goals in Mind:** Investment choices should be made based on the intended goals of a portfolio and not based on the over/underperformance of a market benchmark.
4. **Invest with a Margin of Preservation:** In order to potentially limit the downside risk, minimize or eliminate investments where little to no margin of preservation exists.
5. **Invest with Flexibility:** A good investment process should allow for flexibility to adapt as the investment landscape changes.
6. **Invest with Humility:** Invest with the understanding that future events cannot be predicted with certainty. Investing with arrogance leads to failure.

### Methods of Analysis

We manage portfolios on an individual client basis utilizing a host of techniques. The firm's portfolios are primarily comprised of mutual funds, exchange traded funds and to a lesser extent, individual bonds, and stocks. Although we generally provide advice only on the previously listed products, we reserve the right to offer advice on, and recommend, any investment product that can be suitable for each client's specific circumstances, needs, goals and objectives.

The model portfolios have different “target” allocations among various asset classes, thus diversifying a client's investment dollars across a host of investments and spreading risks in a more prudent manner.

Our primary method of evaluating equities is the use of fundamental analysis. Fundamental analysis attempts 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 company 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.

We may also incorporate technical (charting) and/or cyclical analysis. Technical analysis involves studying past price patterns and trends in the financial markets to predict the direction of both the overall market and specific stocks. This price and volume information is analyzed using mathematical equations. The resulting data is then applied to graphing charts, which is used to predict future price movements based on price patterns and trends. Cyclical analysis is a type of technical analysis that involves identifying recurring price patterns and trends.

Fixed income investments may be used as a strategic investment, as an instrument to fulfill liquidity or income needs in a portfolio, or to add a component of capital preservation. Merit will generally evaluate and select individual bonds or bond funds based on a number of factors including, but not limited to rating, yield, and duration.

We generally invest client's cash balances in money market funds, FDIC Insured Certificates of Deposit, high-grade commercial paper and/or government backed debt instruments. We try to achieve the highest return on our client's cash balances through relatively low-risk conservative investments. In most cases, at least a partial cash balance will be maintained in a money market account so that we may debit advisory fees for certain services. We charge fees on these allocations.

### Investment Strategies

The Firm's strategic approach is to invest each portfolio in accordance with each client's investment goals, risk tolerance and financial circumstances. This means that the following strategies may be used in varying combinations over time for a given client, depending upon the client's individual circumstances.

- Long Term Purchases – securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.
- Short Term Purchases – securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations.
- Short Sales – a securities transaction in which an investor sells securities he or she borrowed in anticipation of a price decline. The investor is then required to return an equal number of shares at some point in the future. A short seller will profit if the stock goes down in price.
- Options Trading/Writing: a securities transaction that involves buying or selling (writing) an option. If you write an option, and the buyer exercises the option, you are obligated to purchase or deliver a specified number of shares at a specified price

at the exercise of the option regardless of the market value of the security at expiration of the option. Buying an option gives you the right to purchase or sell a specified number of shares at a specified price until the date of expiration of the option regardless of the market value of the security at expiration of the option.

It is not our typical investment strategy to attempt to time the market, but we can increase cash holdings as deemed appropriate based on your risk tolerance and our expectations of market behavior. We can also modify our investment strategy to accommodate special situations such as low basis stock, stock options, legacy holdings, inheritances, closely held businesses, collectibles, or special tax situations.

Merit's Investment Management ("IM") team has created a number of "sleeves", which are the building block components (typically a specific asset class, such as equities, fixed income, or liquid alternatives) from which an asset allocation model can be easily constructed to achieve blended exposure to the asset classes in those sleeves. IM has created standard models from the "core" sleeves, that range from conservative to aggressive. However, non-core sleeves can also be used by the investment adviser representatives to supplement a standard model, to satisfy specific, customized client goals. Investment adviser representatives also have the ability to supplement a standard model with individual securities or create a portfolio comprised solely or largely of individual securities.

Equity exposure is primarily achieved through the use of mutual funds or ETFs but may incorporate individual securities. Equity allocations will typically include U.S. large cap equities, U.S. small-mid cap equities, developed market equities and emerging market equities. Fixed income exposure is primarily achieved through the use of mutual funds, ETFs, and closed end funds, but may also incorporate individual securities. Alternatives exposure is achieved through the use of liquid alternatives. Potential liquid alternative investments include market neutral, long-short equity, long-short credit, tactical risk allocation, diversified arbitrage, merger arbitrage, managed futures, and commodities.

Investment Management centrally manages the sleeves and by definition therefore also the standard models. IM conducts market research and due diligence on new and existing investments, monitors all investment strategies and meets regularly with the Investment Committee. While IM presents recommended changes to the Investment Committee, the latter serves primarily as an advisory body. Mutual funds and ETFs are generally evaluated and selected based on a variety of factors, including, as applicable and without limitation, past performance, liquidity, fee structure, portfolio manager, fund sponsor, overall ratings for volatility and returns, and other factors. All trading operations are managed by the IM. This includes portfolio rebalancing as well as trade requests generated by investment adviser representatives. Portfolios are rebalanced based on portfolio drift from target.

For models that investment adviser representatives have customized or for portfolios that they have created, investment adviser representatives retain the responsibility to manage them. This includes maintenance of any investment policy statements, evaluating and selecting all holdings, rebalancing decisions, performing initial and ongoing due diligence on any third-party portfolio manager that they recommend to clients, based on the client's needs and objectives, etc. These responsibilities may be executed individually or collectively as part of a de facto investment committee. IM will handle trade execution, both for rebalances requested and trade requests made by investment adviser representatives.

In advising clients investing in the AssetMark Platform, the investment adviser representative may select from mutual funds, Exchange Traded Funds (ETF's), and other investment solutions offered on the Platform. These solutions are provided by a number of institutional investment strategists and based on the information, research, asset allocation methodology and investment strategies of these institutional strategists, including AssetMark.

With respect to clients investing in the AssetMark Platform, the investment adviser representative introduces clients to, and advises on the selection of, independent investment managers who provide discretionary management of individual portfolios including a wide variety of security types. Clients will receive a separate disclosure from such investment managers regarding any such investment manager's advisory services.

#### Risk of Loss

While the Firm seeks to diversify clients' investment portfolios across various asset classes consistent with their investment plans in an effort to reduce risk of loss, all investment portfolios are subject to risks. Accordingly, there can be no assurance that client investment portfolios will be able to fully meet their investment objectives and goals, or that investments will not lose money.

Below is a description of several of the principal risks that client investment portfolios face.

*Management Risks.* While the Firm manages client investment portfolios, or recommends one or more Managers, based on experience, research and proprietary methods, the value of client investment portfolios will change daily based on the performance of the underlying securities in which they are invested. Accordingly, client investment portfolios are subject to the risk that we or a Manager allocates client assets to individual securities and/or asset classes that are adversely affected by unanticipated market movements, and the risk that our specific investment choices could underperform their relevant indexes.

*Risks of Investments in Mutual Funds, ETFs and Other Investment Pools.* As described above, the Firm or a Manager(s) may invest client portfolios in mutual funds, ETFs and other investment pools ("pooled investment funds"). Investments in pooled investment funds are generally less risky than investing in individual securities because of their diversified portfolios; however, these investments are still subject to risks associated with the markets in which they invest. In addition, pooled investment funds' success will be related to the skills of their particular managers and their performance in managing their funds. Pooled investment funds are also subject to risks due to regulatory restrictions applicable to registered investment companies under the Investment Company Act of 1940.

*ETF Liquidity Risks.* While the risks of owning shares of an ETF generally reflect the risks of owning the underlying investments of the ETF, lack of liquidity in an ETF can result in its value being more volatile than the underlying portfolio investments. Trading in shares may be halted because of market conditions or for reasons that, in the view of an exchange, make trading in shares inadvisable. In addition, trading in shares is subject to trading halts caused by extraordinary market volatility pursuant to "circuit breaker" rules. There can be no assurance that the requirements necessary to maintain the listing of the shares of the Fund will continue to be met or will remain unchanged.

*Equity Market Risks.* The Firm and any Manager(s) will generally invest portions of client assets directly into equity investments, primarily stocks, or into pooled investment funds that invest in the stock market. As noted above, while pooled investments have diversified portfolios that may make them less risky than investments in individual securities, funds that invest in stocks and other equity securities are nevertheless subject to the risks of the stock market. These risks include, without limitation, the risks that stock values will decline due to daily fluctuations in the markets, and that stock values will decline over longer periods (e.g., bear markets) due to general market declines in the stock prices for all companies, regardless of any individual security's prospects.

*Fixed Income Risks.* The Firm and any Manager(s) may invest portions of client assets directly into fixed income instruments, such as bonds and notes, or may invest in pooled investment funds that invest in bonds and notes. While investing in fixed income instruments, either directly or through pooled investment funds, is generally less volatile than investing in stock (equity) markets, fixed income investments nevertheless are subject to risks. These risks include, without limitation, interest rate risks (risks that changes in interest rates will devalue the investments), credit risks (risks of default by borrowers), or maturity risk (risks that bonds or notes will change value from the time of issuance to maturity).

*Foreign Securities Risks.* The Firm and any Manager(s) may invest portions of client assets into pooled investment funds that invest internationally. While foreign investments are important to the diversification of client investment portfolios, they carry risks that may be different from U.S. investments. For example, foreign investments may not be subject to uniform audit, financial reporting or disclosure standards, practices or requirements comparable to those found in the U.S. Foreign investments are also subject to foreign withholding taxes and the risk of adverse changes in investment or exchange control regulations. Finally, foreign investments may involve currency risk, which is the risk that the value of the foreign security will decrease due to changes in the relative value of the U.S. dollar and the security's underlying foreign currency.

*Short Selling Risk.* When an investor makes a short sale, the investor will often borrow the security sold short and deliver the security to the broker-dealer through which the investor made the short sale as collateral for the investor's obligation to deliver the security upon conclusion of the investment. In connection with short sales of securities, the investor may pay a fee to borrow securities or maintain an arrangement with a broker to borrow securities and is often obligated to pay over any accrued interest and dividends on such borrowed securities. At the conclusion of the investment, the investor will purchase an amount of the security sold short for delivery to the broker-dealer or pay an equivalent amount in cash to close out the trade. If the price of the security sold short increases between the time of the short sale and the time that the investor closes out the trade, the investor will incur a loss; conversely, if the price declines, the investor will realize a capital gain. Any gain will be decreased, and any loss increased, by the transaction costs described above. Accordingly, it is possible that a client selling short may lose more than the initial amount invested in the short sale, and the amount of such loss is theoretically unlimited.

*Options Risk.* A small investment in options could have a potentially large impact on an investor's performance. The use of options involves risks different from, or possibly greater than, the risks associated with investing directly in the underlying assets. Derivatives can be highly volatile, illiquid and difficult to value, and there is the risk that a hedging technique

will fail if changes in the value of a derivative held by an investor do not correlate with the securities being hedged.

*Margin Risk.* Clients can elect to borrow funds against his/her investment portfolio for uses other than investing inside a brokerage account. When securities are purchased, they may be paid for in full or a client may borrow part of the purchase price from the account custodian. If a client borrows part of the purchase price, the client is engaging in margin transactions, and there is risk involved with investing on margin. The securities held in a margin account are collateral for the custodian that loaned the client money. If those securities decline in value, then the value of the collateral supporting the margin loan also declines. As a result, the brokerage firm is required to take action in order to maintain the necessary level of equity in the client's account. The brokerage firm may issue a margin call and/or sell other assets in an account to accomplish this. It is important that clients fully understand the risks involved in trading securities on margin, including but not limited to:

- It is possible to lose more funds than are deposited into a margin account;
- The account custodian can force the sale of assets in an account;
- The account custodian can sell assets in the client's account without contacting the client first;
- The client is not entitled to choose which assets in a margin account may be sold to meet a margin call;
- The account custodian can increase its "house" maintenance margin requirements at any time without advance written notice; and
- The client is not entitled to an extension of time on a margin call.

*Cybersecurity Risk.* The computer systems, networks, devices, and service providers we use to carry out routine business operations employ a variety of protections designed to prevent damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons, and security breaches. Despite the various protections utilized, these systems, networks, devices, and providers potentially can be breached. A client could be negatively impacted as a result of a cybersecurity breach. Cybersecurity breaches can include unauthorized access to systems, networks, or devices; infection from computer viruses or other malicious software code; and attacks that shut down, disable, slow, or otherwise disrupt operations, business processes, or website access or functionality. Cybersecurity breaches can cause disruptions and affect business operations, potentially resulting in financial losses to a client; impediments to trading; the inability by us and other service providers to transact business; violations of applicable privacy and other laws; regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs; as well as the inadvertent release of confidential information. Similar adverse consequences can result from cybersecurity breaches affecting issuers of securities in which a client invests; governmental and other regulatory authorities; exchange and other financial market operators, banks, brokers, dealers, and other financial institutions; and other parties. In addition, these entities can incur substantial costs to prevent or mitigate the risk of cybersecurity breaches in the future.

## **Item 9. Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of the Firm or the integrity of our management. We have no disciplinary events to report.

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

### Broker-Dealer and Insurance Activities

As mentioned above, many of our firm's investment adviser representatives are also registered representatives of LPL Financial, a broker-dealer and member FINRA/SIPC. Additionally, our investment adviser representatives may be licensed insurance agents. These activities present a conflict of interest to the extent that the representatives may recommend that a client invest in a security or purchase a product which results in a commission being paid to him/her. In order to mitigate this conflict, we disclose such commission arrangements to our clients before the client purchases any such products. Further, our representatives, as fiduciaries, are required to act in clients' best interests at all times.

Certain investment adviser representatives at our firm recommend clients to unaffiliated third-party investment advisers which offer asset management services to clients. As a result, these investment adviser representatives will be paid a portion of the fee charged and collected by the third-party investment adviser. This presents a conflict of interest as our investment adviser representatives may have incentive to refer clients to a third-party investment adviser that has agreed to pay a portion of its advisory fee to our investment adviser representatives. To mitigate this conflict, our investment adviser representatives must act solely in the best interest of each of our clients at all times. Our firm performs a due diligence review on all third-party money management firms to ensure that they are properly registered.

As noted in **Item 4 - Advisory Business**, WPCG and Catapult Investments hold an indirect equity interest in Merit. Their equity interest in Merit is structured so that Merit maintains operational autonomy in managing its business. Neither WPCG nor Catapult Investments have any role in the day-to-day management of Merit. WPCG also holds equity interests in certain WPCG Affiliates. Each of the WPCG Affiliates, including Merit, operates autonomously and independently of WPCG and of each other. A list of all WPCG Partners is available at [www.wealthpcg.com](http://www.wealthpcg.com).

### Unaffiliated Registered Investment Adviser Relationships

As noted in **Item 4 - Advisory Business**, Merit also has a network of offices that provide advisory services under local DBAs.

Scott "Parker" Inabnet and certain other investment adviser representatives of Merit do business under a separate state registered investment advisory firm, I.M. Financial, LLC. In addition to the investment management services provided through Merit, the individuals associated with I.M. Financial also provide separate financial planning services for a fee through I.M. Financial.

I.M. Financial is not affiliated with Merit. Financial planning services provided by I.M. Financial are separate and distinct from the advisory services offered by Merit. Clients engaging the services of I.M. Financial will sign that firm's separate financial planning agreement. Merit does not share any portion of I.M. Financial's fees. Although the firm may



recommend Merit's services, it does not pay referral fees to the other, and clients are not obligated to use either service. As a result of this relationship, Merit may have access to certain confidential information (e.g., financial information, investment objectives, transactions, and holdings) about joint financial planning clients of the firm.

#### Seminars

From time to time, we provide financial seminars on investing topics at no cost to clients and prospective clients of the Firm. Certain expenses associated with a seminar (e.g., refreshments, presentation materials, venue costs, etc.) may be paid for by a mutual fund company, ETF provider, insurance company or other investment firm. Due to receipt of the foregoing benefits, we have a conflict of interest if we recommend such companies' products and services. We address this issue by providing the seminar attendees disclosure of these arrangements when applicable.

#### Tax Preparation and Planning

Certain investment adviser representatives are owners of tax preparation and CPA firms, which are not affiliated with Merit. Income tax planning and preparation services may be provided to advisory clients of Merit. Fees charged for income tax planning and preparation services are in addition to advisory fees. Merit does not share any portion of the unaffiliated firms' income tax preparation or planning or CPA fees. Although the firms may recommend Merit's services, neither pays referral fees to the other, and clients are not obligated to use either service. As a result of this relationship, Merit may have access to certain confidential information (e.g., financial information, investment objectives, transactions, and holdings) about joint clients of the firms.

Stone Creek Capital Management, LLC ("Stone Creek") is registered with the SEC as a related adviser to Merit Financial Group, LLC. Stone Creek and Merit are under common control by Merit Holdings, LLC. Certain employees of Merit such as, but not limited to, marketing, compliance, and human resources will provide support to Stone Creek in order to operate and service clients effectively. Stone Creek refers prospects and clients to Merit for investment management services. Merit does not compensate Stone Creek for these referrals. Please see the Stone Creek brochure for further information about this relationship and the conflict of interest that it presents to Stone Creek clients, as they may be able to obtain these services elsewhere for less.

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

The Firm has established a Code of Ethics ("the Code") which applies to all associated persons. As a registered investment advisory firm, we have a fiduciary duty to all clients and must provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. Our fiduciary duty is the core underlying principle of our Code, which also includes Insider Trading and Personal Securities Transactions Policies and Procedures.

We require all associated persons to conduct business with a high level of ethical standards, in an honest and fair manner and comply with federal and state securities laws at all times. Upon employment or affiliation and at least annually thereafter, all associated persons sign an acknowledgement that they have read, understand, and agree to comply with our Code. This disclosure is provided to give clients a summary of our Code. However, if a client or a potential client wishes to review our Code in its entirety, a copy will be provided promptly upon request.

We believe that if investment goals are similar for clients and associated persons of the Firm, it is logical and even desirable that there be common ownership of some securities. We have adopted procedures designed to reduce or eliminate conflicts of interest that this could potentially cause. The Code's personal trading policies include procedures for limitations on personal securities transactions of associated persons, reporting and review of such trading and pre-clearance of certain types of personal trading activities. These policies are designed to discourage and prohibit personal trading that would disadvantage clients. In the event of any identified potential trading conflicts of interest, our goal is to place client interests first. The Code also provides for disciplinary action as appropriate for violations.

Finally, when possible, related persons' accounts will be included in a block trade with client accounts to ensure the same timing and pricing of the security. If a block trade cannot be done, our related persons must wait until the end of the day to buy or sell for themselves the same securities as our clients.

## **Item 12. Brokerage Practices**

### Broker Selection

We seek to select and recommend a custodian/broker-dealer who will hold your assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. We will periodically review alternative custodians in the marketplace for comparison to the currently used custodians, evaluating criteria bulleted below. We consider a wide range of factors, which may include, but is not limited to the following:

- Overall execution capabilities, market expertise, integration with our systems or other factors determining ease of use
- Timeliness of execution, clearing and settlement of trades
- Timeliness and accuracy of trade confirmations
- Combination of transaction execution services and asset custody services
- Competitiveness of the price of the services provided
- Investment research services and investment tools provided
- Ability to provide investment ideas
- Execution facilitation services provided
- Record keeping services provided
- Products and services offered
- Custody services provided
- Frequency and correction of trading errors
- Ability to access a variety of market venues
- Expertise as it relates to specific securities
- Capability to facilitate transfers and payments to/from accounts
- Financial condition, security and stability
- Business reputation
- Quality of services
- Track record of prior service to us and our clients

Merit has executed custodian / broker-dealer relationships with LPL Financial, Fidelity Institutional Wealth Services ("FIWS"), Charles Schwab & Co., Inc. ("Schwab"), and TD

Ameritrade Inc. (“TD Ameritrade”). These custodians are all independently owned and are not affiliated with Merit. Conflicts of interest associated with these arrangements are described below. Clients should consider these conflicts when selecting their custodian. While the firm typically recommends that clients establish brokerage accounts with LPL Financial, clients are advised that they are under no obligation to implement our recommendation and can choose from amongst the other listed custodian broker-dealers at their discretion. Clients may pay commissions or fees that are higher or lower than those that may be obtained elsewhere for similar services.

#### LPL Financial

The Firm generally recommends that clients establish brokerage accounts with LPL Financial, a FINRA registered broker-dealer, member SIPC, as the qualified custodian to maintain custody of clients’ assets. We generally recommend LPL due to the relationship our representatives have with LPL. Our standard of care requires us to recommend broker/dealers that we feel provide services that meet that standard. However, LPL may limit the broker/dealer or custodial platforms for its registered representatives due to its duty to supervise the transactions implemented by these individuals. Clients should be aware that LPL charges Merit for any assets held away from LPL.

LPL has a wide range of approved securities products for which it performs due diligence prior to selection. LPL’s registered representatives are required to only use these products when implementing securities transactions through LPL. Client should be aware that commissions charged for these products may be higher or lower than commissions that they may be able to obtain if transactions were implemented through another broker/dealer.

Merit receives support services and/or products from LPL Financial, many of which assist us to better monitor and service accounts maintained at LPL Financial. These support services and/or products may be received without cost, at a discount, and/or at a negotiated rate. Where such services are provided by a third-party vendor, LPL Financial will either make a payment to us to cover the cost of such services, reimburse us for the cost associated with the services or pay the third-party vendor directly on our behalf. The products and support services we receive include:

- Investment-related research
- Pricing information and market data
- Software and other technology that provide access to client account data
- Compliance and/or practice management-related publications
- Consulting services
- Attendance at conferences, meetings, and other educational and/or social events
- Marketing support
- Computer hardware and/or software
- Other products and services used by the Firm in furtherance of its investment advisory business operations

These support services are provided to Merit based on the overall relationship between the firm and LPL Financial. It is not the result of soft dollar arrangements or any other express arrangements with LPL Financial that involves the execution of client transactions as a condition to the receipt of services. Merit will continue to receive the services regardless of

the volume of client transactions executed with LPL Financial. Clients do not pay more for services as a result of this arrangement. There is no corresponding commitment made by the firm to LPL or any other entity to invest any specific amount or percentage of client assets in any specific securities as a result of the arrangement. However, because we receive these benefits from LPL Financial, there is a potential conflict of interest. The receipt of these products and services presents a financial incentive for Merit to recommend that its clients use LPL Financial's custodial platform rather than another custodian's platform. Because Merit's recommendation that clients custody their assets at LPL Financial is based in part on the benefit to us of these products and services, and not solely on the nature, cost or quality of custody or brokerage services provided by LPL Financial. Merit's receipt of some of these benefits may be based on the amount of advisory assets custodied on the LPL Financial platform.

LPL Financial does not participate in, or influence the formulation of, the investment advice we provide, even though we have certain of our supervised persons as Dually Registered Persons. Dually Registered Persons are restricted by certain FINRA rules and policies from maintaining client accounts at another custodian or executing client transactions in such client accounts through any broker-dealer or custodian that is not approved by LPL Financial. LPL Financial charges a fee for its oversight of activities conducted through these other broker-dealers and custodians. This arrangement presents a conflict of interest because we have a financial incentive to recommend that you maintain your account with LPL Financial rather than with another broker-dealer or custodian to avoid incurring the oversight fee.

LPL Financial provides various benefits and payments to Dually Registered Persons that are new to the LPL Financial platform to assist the representative with the costs (including foregone revenues during account transition) associated with transitioning his or her business to the LPL Financial platform (collectively referred to as "Transition Assistance"). The proceeds of such Transition Assistance payments are intended to be used for a variety of purposes, including but not necessarily limited to, providing working capital to assist in funding the Dually Registered Person's business, satisfying any outstanding debt owed to the Dually Registered Person's prior firm, offsetting account transfer fees (ACATs) payable to LPL Financial as a result of the Dually Registered Person's clients transitioning to LPL Financial's custodial platform, technology set-up fees, marketing and mailing costs, stationary and licensure transfer fees, moving expenses, office space expenses, staffing support and termination fees associated with moving accounts.

Transition payments are generally based on the size of the Dually Registered Person's business established at the prior firm and/or assets under custody on the LPL Financial platform. Such payments typically range from 15 - 30% of the Dually Registered Person's compensation at the prior firm and may be more in some instances. Please refer to the relevant Part 2B brochure supplement for more information about any specific Transition Payments your investment adviser representative may have received. The receipt of Transition Assistance by such Dually Registered Persons creates conflicts of interest relating to our advisory business because it creates a financial incentive for our investment adviser representatives to recommend that clients maintain their accounts with LPL Financial.

These types of arrangements create a conflict of interest because, we have an incentive to direct client accounts to LPL in consideration of the actual or anticipated incentives or consideration we will receive. Merit and its investment adviser representatives can also

receive an economic benefit from LPL in the form of a loan, which is forgiven if Merit and/or the investment adviser representatives meet certain conditions in terms of maintaining a relationship with LPL. We are sensitive to this conflict of interest and take steps to ensure that it does not affect our decisions for our clients. We attempt to mitigate these conflicts of interest by evaluating and recommending that clients use LPL Financial's services based on the benefits that such services provide to our clients, rather than the economic benefit earned by any particular Dually Registered Person.

#### Fidelity Institutional Wealth Services Program

The Firm also participates in the Fidelity Institutional Wealth Services ("FIWS") program. Our relationship with FIWS was established to accommodate certain clients' pre-existing arrangements with FIWS. While there is no direct link between the investment advice we provide and participation in the FIWS program, we receive certain economic benefits from the FIWS program. These benefits may include software and other technology that provides access to client account data (such as trade confirmations and account statements), facilitates trade execution (and allocation of aggregated orders for multiple client accounts), provides research, pricing information and other market data, facilitates the payment of our fees from clients' accounts, and assists with back-office functions, recordkeeping and client reporting. Many of these services may be used to service all or a substantial number of our accounts, including accounts not held at Fidelity. Fidelity may also make available other services intended to help us manage and further develop its business. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing. In addition, Fidelity may make available, arrange and/or pay for these types of services to be rendered to us by independent third parties. Fidelity may discount or waive fees it would otherwise charge for some of these services, pay all or a part of the fees of a third-party providing these services to us, and/or Fidelity may pay for travel expenses relating to participation in such training. Finally, participation in the FIWS program provides us with access to mutual funds which normally require significantly higher minimum initial investments or are normally available only to institutional investors.

The benefits received through participation in the FIWS program do not necessarily depend upon the proportion of transactions directed to Fidelity. The benefits are received by us, in part because of commission revenue generated for Fidelity by the Firm's clients. This means that the investment activity in client accounts is beneficial to us because Fidelity does not assess a fee to the Firm for these services. This presents a conflict of interest as it creates an incentive for us to continue to recommend Fidelity to our clients. While it may be possible to obtain similar custodial, execution and other services elsewhere at a lower cost, we believe Fidelity provides an excellent combination of these services. These services are not soft dollar arrangements but are part of the institutional platform offered by Fidelity.

#### TD Ameritrade Inc.

Merit participates in the institutional advisor program (the "Program") offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance, and settlement of transactions. Merit receives some benefits from TD Ameritrade through its participation in the Program.

Merit may recommend TD Ameritrade to clients for custody and brokerage services. There is no direct link between the firm's participation in the Program and the investment advice it gives to its clients, although the Merit receives economic benefits through its participation in the Program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving the advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Merit by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by Merit's related persons. Some of the products and services made available by TD Ameritrade through the Program may benefit the firm but may not benefit its client accounts. These products or services may assist the firm in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help the firm manage and further develop its business enterprise. The benefits received by Merit or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, the firm endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Merit or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the firm's choice of TD Ameritrade for custody and brokerage services.

#### Charles Schwab & Co., Inc.

While Merit recommends that clients establish a brokerage account with Charles Schwab & Co., Inc., a FINRA registered broker-dealer, member SIPC, as the qualified custodian to maintain custody of the client's assets, it is ultimately the client's decision to custody assets with Schwab. Merit is independently owned and operated and is not affiliated with Schwab.

For client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions or other fees on trades that it executes or that settle into the client's Schwab account. Certain trades at Schwab do not incur commissions or transaction fees. Schwab is also compensated by earning interest on the uninvested cash in the client's account.

**Schwab's services that benefit you.** Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets.

**Schwab's services that indirectly benefit you.** Schwab also makes available other products and services that benefit Merit but may not directly benefit our clients. These products and services assist us in managing and administering our clients' accounts and operating our firm. They include investment research that we use to service some, but not all client accounts. They also include software and other technology that: provide access to client account data; facilitate trade execution in individual clients' accounts as well as aggregated trade orders for multiple client accounts; provide pricing and other market data; facilitate payment of fees

from clients' account; and assist with back-office functions, recordkeeping, and client reporting.

**Schwab services that generally benefit only Merit.** Schwab offers other services intended to help us manage and further develop our business enterprise. These services include educational conferences and events; consulting on technology, business, legal, and compliance needs; and publications and conferences on practice management and business succession. Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to the firm. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide Merit with other benefits, such as occasional business entertainment of our personnel.

**Merit's interest in Schwab's services:** The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We do not have to pay for Schwab's services. Schwab has also agreed to pay for certain technology, research, marketing, and compliance consulting products and services on our behalf once the value of our clients' assets in accounts at Schwab reaches certain thresholds. These services are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody. The fact that we receive these benefits from Schwab is an incentive for us to recommend the use of Schwab rather than making such a decision based exclusively on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a conflict of interest. We believe, however, that taken in the aggregate our recommendation of Schwab as custodian and broker is, when made, in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's services and not Schwab's services that benefit only us.

#### Step-Out Trades

In certain circumstances, Merit may choose to execute trades for client accounts with a broker-dealer other than the custodian where the client maintains their account if we reasonably believe that another broker-dealer can obtain a more favorable execution under the circumstances. Occasionally, the firm will utilize a broker-dealer other than the custodian where the client maintains their account to execute large transactions if we determine that it is in our clients' best interest and that other broker-dealer has the capability to handle such large transactions and to reduce or eliminate any potential negative price fluctuation. This generally will occur when the size of the transaction in any one security is so large that it could cause the price of the security to fluctuate, up or down, resulting in an unfavorable execution price for our clients. Where the firm trades through a broker-dealer other than the custodian where the client maintains their account, the wrap fee does not include the compensation that is paid to that broker-dealer. This compensation is embedded into the price of the security which is paid by the client. These additional costs are in addition to the wrap fee paid by the client.

#### AssetMark Platform

The investment adviser representative assists the client in selecting the risk/return objective and Portfolio Strategists (as defined in the AssetMark Platform Disclosure Brochure) that best suit the client's objectives. The client then specifically directs the account to be invested in accordance with the chosen investment solution. When the client selects the investment solutions, the client further directs that the account be automatically adjusted to reflect any adjustment in the asset allocation by the selected Portfolio Strategist. This client

authorization results in the purchase and sale of certain mutual funds or ETFs without further authorization by the client or any other party at such time as the Portfolio Strategist changes the composition of the selected model asset allocation.

The client receives confirmation of all transactions in the account and is free to terminate participation in the Platform and retain or dispose of any assets in the account at any time. The investment adviser representative has no authority to cause any purchase or sale of securities in any client account, or change the selected model asset allocation or to direct the account to be invested in any manner other than as previously authorized by the client. However, the client may place reasonable restrictions in the account.

If a client selects an IMA or UMA investment solution, the third party Discretionary Managers are granted the authority to manage the accounts on a discretionary basis, including the authority to buy, sell, select, remove and select securities and other investments for the account, and to select broker-dealers or others through which transactions will be effected.

#### Directed Brokerage

Merit does not generally allow directed brokerage accounts. Primarily for compliance and operational efficiencies, we require our clients to use LPL, Fidelity, Schwab or TD Ameritrade as the broker/dealer and custodian. Clients should understand that some investment advisers allow their clients to select the broker/dealer. By requiring clients to use a particular broker/dealer, we may not achieve the most favorable execution of client transactions and it may cost clients more money than if the client used a different broker/dealer.

#### Aggregated Trade Policy

We may enter trades as a block where possible and when advantageous to clients whose accounts have a need to buy or sell shares of the same security. This method permits the trading of aggregate blocks of securities composed of assets from multiple client accounts. It allows us to execute trades in a timely, equitable manner, and may reduce overall costs to clients.

We will only aggregate transactions when we believe that aggregation is consistent with our duty to seek best execution (which includes the duty to seek best price) for our clients and is consistent with the terms of our Asset Management Agreement with each client for which trades are being aggregated. No advisory client will be favored over any other client; each client that participates in an aggregated order will participate at the average share price for that specific transaction in a given security. Transaction costs for participating accounts will be assessed at the custodian's commission rate applicable to each account; therefore, transaction costs may vary among accounts. Accounts may be excluded from a block due to tax considerations, client direction or other factors making the account's participation ineligible or impractical. We maintain procedures to ensure that transactions at different account custodians are treated fairly and equitably.

We will prepare, before entering an aggregated order, a written statement ("Allocation Statement") specifying the participating client accounts and how we intend to allocate the order among those clients. If the aggregated order is filled in its entirety, it will be allocated among clients in accordance with the Allocation Statement. If the order is partially filled, it will generally be allocated pro-rata, based on the Allocation Statement, or randomly in certain circumstances. Notwithstanding the foregoing, the order may be allocated on a basis different from that specified in the Allocation Statement if all client accounts receive fair and equitable



treatment, and the reason for different allocation is explained in writing and is approved by an appropriate individual/officer of the Firm. Our books and records will separately reflect, for each client account included in a block trade, the securities held by and bought and sold for that account. We will receive no additional compensation or remuneration of any kind as a result of the proposed aggregation.

Merit seeks to effectuate trade orders correctly, promptly and in the best interests of its clients. Consistent with our fiduciary duty, firm policy is to promptly investigate and correct any trade errors without disadvantaging its clients and in a manner that is in their best interest. If the client caused the trade error, they are responsible for any loss resulting from the correction. If the client didn't cause the trade error, the client is made whole and any loss resulting from the trade error is absorbed by either the firm the broker-dealer, depending on who is responsible for the trade error. If a gain resulted from the correcting trade, in most cases the gain would remain in the client's account.

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

For clients subscribing to our asset management services, we review accounts on an ongoing basis. We strive to meet with clients annually or as often as necessary to review their portfolios. The nature of these reviews is to learn whether the client's accounts are in line with the client's investment objectives, appropriately positioned based on market conditions, and investment policies, if applicable. Only our investment adviser representatives conduct these reviews.

Depending on the arrangement the clients have with the financial adviser servicing their accounts, the client may receive periodic written reports, which may contain, among other things, performance reporting. These reports generally contain a list of assets, investment results, and statistical data related to the client's account, and are made available via mail or electronic delivery. The information in these reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. Clients are urged to carefully review these reports and compare the reports to the custody statements they receive from their custodian.

Accounts established and maintained with Managers are reviewed at least annually, usually when statements and/or reports are received from the Manager.

We provide ongoing services to financial planning clients and meet with such clients to discuss updates to their plans, changes in their circumstances, etc. Financial planning clients receive reviews of their written plans at least annually.

We will contact Retirement Plan Services clients at least once a year to review our Retirement Plan Services. It is important that you discuss any changes in the Plan's demographic information, investment goals, and objectives with your investment adviser representative. Plans may receive written reports directly from their investment adviser representative based upon the services being provided, including any reports evaluating the performance of Plan investment manager(s) or investments.

We may review client accounts more frequently than described above. Among the factors which may trigger an off-cycle review are major market or economic events, the client's life events, requests by the client, etc.

## Item 14. Client Referrals and Other Compensation

As noted in Item 12, we receive economic benefits from LPL Financial, Fidelity Institutional Wealth Services Program, TD Ameritrade Inc. and Charles Schwab & Co., Inc. in the form of support, products and services they make available to us and other independent investment advisors whose clients maintain accounts at these custodians. LPL Financial also provides other compensation to our Dually Registered Persons, including but not limited to, bonus payments, repayable and forgivable loans, stock awards and other benefits. These products, services and compensation, how they benefit the Firm and its related persons, and the related conflicts of interest are described in *Item 12 - Brokerage Practices*.

The availability of custodians' products and services are based solely on our participation in their programs and not in the provision of any particular investment advice. Our clients do not pay more for investment transactions effected and/or assets maintained at any custodian as result of this arrangement. There are no commitments made by us to LPL or any other institution because of our receipt of additional support products and services that they make available to us. Neither LPL Financial, Fidelity Institutional Wealth Services Program, TD Ameritrade Inc. or Charles Schwab & Co., Inc. are paid to refer clients to the Firm.

Merit and/or its Dually Registered Persons are incented to join and remain affiliated with LPL Financial and to recommend that clients establish accounts with LPL Financial through the provision of Transition Assistance (discussed in *Item 12* above). LPL also provides other compensation to Merit, including but not limited to, bonus payments, repayable and forgivable loans and stock awards.

The amount of the loan, paid to Merit by LPL Financial, represents a substantial payment. Forgiveness of the loan, in whole or in part, is conditioned on our firm remaining affiliated with LPL and will be based on the amount of business we engage in with LPL Financial, including, but not limited to, the amount of client assets Merit maintains with LPL Financial and using LPL Financial as the custodian for a certain percentage of all new client accounts, and as such, Merit has a financial incentive to recommend that its clients maintain their accounts with LPL Financial, which presents a conflict of interest.

The receipt of any such compensation creates a financial incentive for Merit to recommend LPL Financial as custodian for the assets in our client's advisory account(s). We encourage you to discuss any such conflicts of interest with us before deciding to custody your assets at LPL Financial.

From time to time, and consistent with legal requirements under the Investment Advisers Act of 1940, Merit and/or its investment adviser representatives enter into arrangements with third parties or other financial intermediaries for lead generation, client referrals or solicitation for program accounts (collectively, "solicitation arrangements"). Under Rule 206(4)-1 of the Advisers Act, such solicitations are now considered "endorsements" and solicitors are referred to as "promoters". These arrangements range from largely impersonal referrals to specific client introductions to Merit and its investment adviser representatives. Under these arrangements the third party and financial intermediary promoters are independent contractors. The compensation paid under the solicitation arrangements is structured in various ways, including a one-time fee, a monthly marketing fee, a flat fee per lead or referral, and sharing a portion of the ongoing Account Fee. Clients who are introduced

to Merit and its investment adviser representatives through a solicitation arrangement receive a specific description of the terms of that arrangement and the compensation paid to the promoter at the time of the introduction. Depending on the promoter's arrangement with Merit, a promoter may not be compensated for referring a client who opens a brokerage account rather than an advisory account. Solicitation arrangements give rise to conflicts of interest because the referring party has a financial incentive to introduce new investment advisory clients to Merit and its investment adviser representatives. Merit's participation in these arrangements does not diminish its fiduciary obligations to its clients. Clients who are referred to Merit via this referral arrangement do not pay higher fees than other Merit clients as a result of the arrangement.

With respect to the AssetMark Platform, Merit may, subject to negotiation with AssetMark, receive certain allowances, reimbursements or services from AssetMark in connection with the firm's investment advisory services to its clients, as described below and in further detail in the Appendix 1 of the AssetMark Platform Disclosure Brochure.

Under AssetMark's Business Development Allowance program, Merit receives a quarterly business development allowance for reimbursement of qualified marketing/practice development expenses incurred by the IAR. These amounts vary depending on the value of the assets on the AssetMark Platform held by Clients of the IAR.

**MARKETING SUPPORT FOR MERIT:** Merit has entered into marketing arrangements with AssetMark whereby Merit receives compensation and/or allowances in amounts based either upon a percentage of the value of new or existing account assets of Clients referred to AssetMark by Merit, or a flat dollar amount.

**DIRECT AND INDIRECT SUPPORT FOR MERIT:** AssetMark may sponsor annual conferences for participating Financial Advisory Firms and/or IARs designed to facilitate and promote the success of the Financial Advisory Firm and/or IAR and/or AssetMark advisory services.

**DISCOUNTED FEES FOR IARS:** IARs may receive discounted pricing from AssetMark for practice management and marketing related tools and services.

**COMMUNITY INSPIRATION AWARD:** AssetMark offers the Community Inspiration Award to honor selected IARs across the US who have inspired others by supporting charitable organizations in their communities. AssetMark will make a cash donation, subject to the published rules governing the program, to Merit's nominated charity in accordance with guidelines as outlined in the AssetMark Platform Disclosure Brochure.

In the event the payments, or non-monetary compensation disclosed above and in Item 12 are received in connection with or as a result of the Retirement Plan Services, we will disclose such fees to Sponsors in accordance with ERISA and Department of Labor regulations.

From time to time Merit receives expense reimbursement for travel and/or marketing expenses from distributors of investment and/or insurance products. Please see **Item 15 – Fees and Compensation** for additional information about this conflict of interest.

## Item 15. Custody

While Merit has custodian/broker-dealer relationships with LPL Financial, Fidelity Institutional Wealth Services Program, TD Ameritrade Inc. and Charles Schwab & Co., Inc., these are the custodians for the vast majority our client accounts. From time to time however, clients may select an alternate broker to hold accounts in custody. In any case, it is the custodian's responsibility to provide clients with confirmations of trading activity, tax forms and at least quarterly account statements. Clients are advised to review this information carefully, to verify the accuracy of the balances and fees, and to notify us of any questions or concerns. Clients are also asked to promptly notify us if the custodian fails to provide statements on each account held.

All of our clients receive at least quarterly account statements directly from their custodian(s). We encourage our clients to raise any questions with us about the custody, safety or security of their assets. The custodians we do business with will send you independent account statements listing your account balance(s), transaction history and any fee debits or other fees taken out of your account.

While Merit does not maintain actual possession or physical custody of client assets in the manner of its qualified custodians, as disclosed in Form ADV Part 1A we do have custody of client funds or securities under applicable SEC guidance for certain clients who have authorized us to deduct our advisory fees from the clients' account or granted us the limited power to transmit funds to one or more third parties as specifically designated by the client through a Standing Letter of Authorization. However, even in such situations the custodian maintains actual possession of the clients' assets.

With regard to the AssetMark Platform, Merit does not provide custodial services to its clients. Client assets are held with banks, financial institutions or registered broker-dealers that are "qualified custodians." Clients will receive statements directly from the qualified custodians at least quarterly. We urge clients to carefully review those statements and compare the custodial statements to the reports that we provide them. The information in our reports may vary from custodial statements based on accounting procedures, reporting dates or valuation methodologies of certain securities.

We will not serve as a custodian for Plan assets in connection with the Retirement Plan Services. Sponsor is responsible for selecting the custodian for Plan assets. We may be listed as the contact for the Plan account held at an investment sponsor or custodian. Sponsor for the Plan will complete account paperwork with the outside custodian that will provide the name and address of the custodian. The custodian for Plan assets is responsible for providing the Plan with periodic confirmations and statements. We recommend that Sponsor reviews the statements and reports received directly from the custodian or investment sponsor.

## **Item 16. Investment Discretion**

As described in *Item 4 - Advisory Business*, we will accept clients on either a discretionary or non-discretionary basis. For discretionary accounts, a Limited Power of Attorney ("LPOA") is executed by the client, giving us the authority to carry out various activities in the account, generally including the following: trade execution; the ability to request checks on behalf of the client; and the withdrawal of advisory fees directly from the account. We then direct investment of the client's portfolio using our discretionary authority. The client may limit the terms of the LPOA to the extent consistent with the client's investment advisory agreement with us and the requirements of the client's custodian.

Client will grant Merit discretionary authority to establish and/or terminate a relationship with a Manager for purposes of managing the account or a portion of the account. Client will also grant the Manager selected with the discretionary authority to make all decisions to buy, sell or hold securities, cash or other investments for such portion of the account managed by the Manager. Client will also grant the Manager with the power and authority to carry out these decisions by giving instructions, on behalf of client, to broker/dealers and qualified custodians of the account.

For non-discretionary accounts, the client also generally executes an LPOA, which allows us to carry out trade recommendations and approved actions in the portfolio. However, in accordance with the asset management agreement between us and the client, we will not implement trading recommendations or other actions in the account unless and until the client has approved the recommendation or action. As with discretionary accounts, clients may limit the terms of the LPOA, subject to our agreement with the client and the requirements of the client's custodian.

Under a non-discretionary arrangement, clients must be contacted prior to the execution of any trade in the account(s) under management. This can result in a delay in executing recommended trades, which could adversely affect the performance of the portfolio. This delay also normally means the affected account(s) will not be able to participate in block trades, a practice designed to enhance the execution quality, timing and/or cost for all accounts included in the block. In a non-discretionary arrangement, the client retains the responsibility for the final decision on all actions taken with respect to the portfolio.

When providing Retirement Plan Services described herein, we may exercise discretionary authority or control over the investments specified in the Agreement. We perform these services to the Plan as a fiduciary under ERISA Section 3(21) and investment manager under ERISA Section 3(38). We are legally required to act with the degree of diligence, care and skill that a prudent person rendering similar services would exercise under similar circumstances. This discretionary authority is specifically granted to us by Sponsor, as specified in the Agreement (*see also, Item 4 above*).

## Item 17. Voting Client Securities

As a policy and in accordance with the Firm's current client agreement, we do not vote proxies related to securities held in client accounts. The custodian of the account will normally provide proxy materials directly to the client. Clients may contact us with questions relating to proxy procedures and proposals; however, we generally do not research particular proxy proposals.

In a limited number of cases, we have agreed to vote proxies for certain legacy clients. With respect to securities selected on behalf of the client in these situations, we will vote proxies where required. Where we have authority to vote proxies, we will seek to vote proxies in the best interest of the client(s) holding the applicable securities.

In general, we believe that voting proxies in accordance with the following guidelines, with respect to such routine items, is in the best interests of our clients. Accordingly, we generally vote **for**:

- The election of directors (where no corporate governance issues are implicated);

- Proposals that strengthen the shared interests of shareholders and management;
- The selection of independent auditors based on management or director recommendation, unless a conflict of interest is perceived;
- Proposals that we believe may lead to an increase in shareholder value;
- Management recommendations adding or amending indemnification provisions in charter or by-laws; and
- Proposals that maintain or increase the rights of shareholders.

We will generally vote **against** any proposals that we believe will have a negative impact on shareholder value or rights. If we perceive a conflict of interest, our policy is to notify affected clients so that they may choose the course of action they deem most appropriate.

With respect to the AssetMark Platform, the client retains the right to vote proxies if the Account is invested in a Mutual Fund or ETF Investment Solution. If the Account is invested in an IMA or UMA Investment Solution, the Client designates the applicable Discretionary Manager as their agent to vote proxies on securities in the Account. Client acknowledges that as a result of this voting designation they are also designating the Discretionary Manager as their agent to receive proxies, proxy solicitation materials, annual reports provided in connection with proxy solicitations and other materials provided in connection with the above actions relating to the assets in the Account. However, the Client retains the right to vote proxies and may do so by notifying Merit in writing of the desire to vote future proxies.

Merit has no authority or responsibility to vote any security held by the Retirement Plan or the related proxies. That authority is reserved by the Sponsor or trustee of the Plan.

A copy of our complete policy, as well as records of proxies voted, is available to clients upon request. As required under the Advisers Act, such records are maintained for a period of five (5) years.

### **Item 18. Financial Information**

We do not require nor solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, and therefore have no disclosure with respect to this item.