Item 1: Cover Page

Part 2A Appendix 1 of Form ADV

Wrap Fee Program Brochure

Merit Financial Group, LLC

CRD #142457

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This Wrap Fee Program Brochure provides information about the qualifications and business practices of Merit Financial Group, LLC. 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. 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 is also available on the SEC's website at 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 Wrap Fee Program 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 added Charles Schwab & Co., Inc. ("Schwab"), and TD Ameritrade Inc. ("TD Ameritrade") as custodians for wrap fee accounts.

- We amended Item 4 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 Item 4 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).

- 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 4 to reflect these changes.

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Item 4. Services, Fees & Compensation

General information

Merit Financial Group, LLC (hereinafter "Merit," "the Firm," "we," "our," or "us") 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. 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 may, from time to time, hold 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 may 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 may have their own legal business entities whose business names and/or trademarks may 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.

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").

This Wrap Fee Program Brochure describes the asset management services that we offer through our Wrap Fee Program, which is administered through our custodians; LPL Financial, Charles Schwab & Co., Inc. ("Schwab"), and TD Ameritrade Inc. ("TD Ameritrade"), (collectively "Custodians). Information contained in this brochure applies specifically to the Wrap Fee Program. You will find additional information about the Firm in our Form ADV Part 2A, which is referenced variously herein, and provided in conjunction with this document.

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. 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.

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 may 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.

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 may 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 may 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 may impose certain reasonable written restrictions in the management of their investment portfolios, such as prohibiting the inclusion of certain types of investments in an investment portfolio or prohibiting the sale of certain investments held in the account at the commencement of the relationship.

We 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.

General Fee Information

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(s) 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 custodian(s). Transaction charges paid by the firm/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 Adviser of transaction charges may be a factor that the Advisers consider 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 accounts managed by Merit.

In many instances, LPL Financial makes available mutual funds in Wrap 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 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 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 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 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.

Clients participating in the Program are generally charged for direct asset management based on a percentage of assets under management of up to 2.5% annually.

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 calendar 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. Fees billed quarterly in arrears are not adjusted for contributions or withdrawals to the account. Our fees may be negotiable and in certain circumstances, a tiered fee schedule may be provided.

Investment adviser representatives are free to negotiate the fees to be charged for the services provided within the parameters set by Merit as disclosed in ADV Part 2A ***Item 5 – Fees and Compensation***. It is possible that different investment adviser representatives may charge different fees for providing the same service to clients. The specific level of services you will receive and the fees you will be charged will be specified in your advisory services agreement.

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.

We do not usually offer direct billing as an option. Fees are generally automatically deducted from the client's managed account in accordance with the permission the client grants within the executed Asset Management Agreement and/or brokerage account application. Clients will receive at least quarterly account statements from the custodian reflecting the account holdings and value, and all deposits and disbursements from the account(s), including the amount of the fees paid to us. Please see ADV Part 2A, ***Item 5 –Fees and Compensation*** for more information.

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

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.

Other Types of Fees & Expenses

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. Please see ADV Part 2A, ***Item 12 - Brokerage Practices*** for more information.

Clients should review all fees charged by funds, our Firm and others to fully understand the total amount of fees paid by the client for investment and financial-related services. Clients participating in the Program may pay higher or lower fees than clients purchasing such services separately from other investment advisers, depending on the cost of services if provided separately and the level of trading in a particular client's account.

We may recommend or offer to our clients the services of other wrap program sponsors. Those services are described in our ADV Part 2A, ***Item 4 - Advisory Business***. This Wrap Fee Program Brochure only addresses the Program which Merit sponsors.

Item 5: Account Requirements & Types of Clients

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

Item 6: Portfolio Manager Selection & Evaluation

The Wrap Fee Program does not select third-party portfolio managers to manage wrap accounts. All portfolio management of the Program is performed by Merit Investment Management and the Firm's investment adviser representatives.

<u>Advisory Business</u>
Item 4 above discusses in detail the Wrap Fee Program which Merit sponsors, including how we tailor the client's portfolio to fit their needs, financial objectives, and risk tolerance, as well as any reasonable restrictions that the client may wish to place on the account. Item 4 also discusses how the Firm manages wrap fee accounts and the various conflicts of interest that wrap fee programs like ours present to the client, in particular around fees and expenses.

In addition to that Program, the Firm also offers a variety of other asset management services, needs based financial analysis, as well as comprehensive financial planning and consulting. Other asset management services include non-wrap accounts and recommendations to use a portfolio management program sponsored by LPL Financial, LLC or another third-party portfolio manager. We offer retirement plan consulting services, both as an ERISA 3(21) and 3(38) fiduciary. We also offer services to help clients realize the value of their employer's benefits package, and to help employers improve their employees' financial well-being. We also offer advisory services on a non-discretionary basis.

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.

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.

<u>Investment Strategies</u>
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.

<u>Risk of Loss</u>
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.

<u>Voting Client Securities</u>
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.

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. For further information please see ADV Part 2A ***Item 17 – Voting Client Securities***.

Item 7: Client Information Provided to Portfolio Manager

Our Firm and its investment adviser representatives are the only Portfolio Managers under the Program. No information is shared with any other Portfolio Manager.

Item 8: Client Contact with Portfolio Manager

Clients are always free to directly contact their investment adviser representative with any questions or concerns they have about their portfolios or other matters.

Item 9: Additional Information

<u>Disciplinary Information</u>
Neither our Firm nor its management persons have any disciplinary disclosures required.

<u>Other Financial Industry Activities and Affiliations</u>
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.

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.

Review of Accounts

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. 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.

Client Referrals and Other Compensation

The Firm receives economic benefits from its custodians; LPL Financial, Fidelity Institutional Wealth Services ("FIWS"), Charles Schwab & Co., Inc. ("Schwab"), and TD Ameritrade Inc. ("TD Ameritrade") in the form of support, products and services they make available to us and other independent investment advisors whose clients maintain accounts at LPL Financial, FIWS, Schwab, or TD

Ameritrade. 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 ADV Part 2A ***Item 12 - Brokerage Practices***.

The availability of a custodian's products and services is 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 a particular custodian as result of this arrangement. There are no commitments made by us to any custodian or other institution because of our receipt of additional support products and services that they make available to us. No custodian is 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 ADV Part 2A ***Item 12 – Brokerage Practices***). 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"). These solicitation arrangements range from largely impersonal referrals to specific client introductions to Merit and its investment adviser representatives. Under solicitation arrangements, the third parties and financial intermediaries 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 solicitor at the time of the introduction. Depending on the solicitor's arrangement with Merit, a solicitor 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 referral 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.

<u>Financial Information</u>

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.