

## Item 1 – Cover Page



2 West Market Street

Bethlehem, Pennsylvania 18018

(610) 849-2740

[www.QuadrantPrivateWealth.com](http://www.QuadrantPrivateWealth.com)

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This brochure provides information about the qualifications and business practices of Quadrant Private Wealth Management, LLC (hereinafter “Quadrant” or the “Firm”). If you have any questions about the contents of this brochure, please contact us at (610) 849-2740. 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.

Quadrant is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about the Firm is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for Quadrant is 277044.

## **Item 2 – Material Changes**

This Item of the Brochure discusses material changes that are made to the Brochure since the last annual updating amendment and provides clients with a summary of such changes. The most recent annual update of our brochure was February 18, 2020.

We have begun offering the Quadrant Enhanced Equity Strategy, a strategy which invests in equity securities of individual companies and generates income from writing options on those securities. Items 4, 5 and 8 have been revised in light of this change.

We now offer clients the option of obtaining certain financial solutions from unaffiliated third-party financial institutions with the assistance of our affiliate, Focus Client Solutions (“FCS”). Please see Items 4 and 10 for a fulsome discussion of these services and other important information.

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## **Item 4. Advisory Business**

Quadrant offers a variety of advisory services, which include financial planning, consulting, and investment management services. Prior to Quadrant rendering any of the foregoing advisory services, clients are required to enter into one or more written agreements with Quadrant setting forth the relevant terms and conditions of the advisory relationship (the “Advisory Agreement”).

Quadrant Private Wealth Management, LLC is the successor firm of Quadrant Private Wealth, LLC, a registered investment adviser since May 2014. As of December 31, 2019, Quadrant had \$696,223,787 in assets under management, \$693,231,731 of which was managed on a discretionary basis and \$2,992,056 of which was managed on a non-discretionary basis. The term “registered investment adviser” does not imply a certain level of skill or training.

### **Focus Operating, LLC, Focus Financial Partners, LLC and Focus Financial Partners Inc.**

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Quadrant is part of the Focus Financial Partners, LLC (“Focus LLC”) partnership. Specifically, Quadrant is a wholly-owned subsidiary of Focus Operating, LLC (“Focus Operating”), which is a wholly-owned subsidiary of Focus LLC. Focus Financial Partners Inc. (“Focus Inc.”) is the sole managing member of Focus LLC and is a public company traded on the NASDAQ Global Select Market. Focus Inc. owns approximately two-thirds of the economic interests in Focus LLC.

Focus Inc. has no single 25% or greater shareholder. Focus Inc. is the managing member of Focus LLC and has 100% of its governance rights. Accordingly, all governance is through the voting rights and Board at Focus Inc. As of the end of 2019, investment vehicles affiliated with Stone Point Capital, LLC (“Stone Point”) had a greater than 25% voting interest in Focus Inc., and Stone Point had the right to designate two of seven directors on the Focus Inc. Board. As of the end of 2019, investment vehicles affiliated with Kohlberg Kravis Roberts & Co. L.P. (“KKR”) had a less than 25% voting interest in Focus Inc., and KKR had the right to designate one of seven directors on the Focus Inc. Board.

Focus LLC also owns other registered investment advisers, broker-dealers, pension consultants, insurance firms, and other financial service firms (the “Focus Partners”), most of which provide wealth management, benefit consulting and investment consulting services to individuals, families, employers, and institutions. Some Focus Partners also manage or advise limited partnerships, private funds, or investment companies as disclosed on their respective Form ADVs.

While this brochure generally describes the business of Quadrant, certain sections also discuss the activities of its Supervised Persons, which refer to the Firm's officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees or any other person who provides investment advice on Quadrant's behalf and is subject to the Firm's supervision or control.

## **Financial Planning and Consulting Services**

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Quadrant offers clients a broad range of holistic financial planning and consulting services, which include any or all of the following functions:

- Business Planning
- Cash Flow Forecasting
- Trust and Estate Planning
- Financial Reporting
- Investment Consulting
- Insurance Planning
- Retirement Planning
- Risk Management
- Charitable Giving
- Distribution Planning
- Tax Planning
- Manager Due Diligence
- College Funding
- Loan Facilitation

In performing these services, Quadrant is not required to verify any information received from the client or from the client's other professionals (*e.g.*, attorneys, accountants, etc.) and is expressly authorized to rely on such information. Quadrant could recommend clients engage the Firm for additional related services, its Supervised Persons in their individual capacities as insurance agents or registered representatives of a broker-dealer and/or other professionals to implement its recommendations. Such insurance services are offered through an affiliate, Quadrant Insurance Wealth Structuring, LLC. Clients are advised that a conflict of interest exists if clients engage Quadrant or its affiliates to provide additional services for compensation. Clients retain absolute discretion over all decisions regarding implementation and are under no obligation to act upon any of the recommendations made by Quadrant under a financial planning or consulting engagement. Clients are advised that it remains their responsibility to promptly notify the Firm of any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising Quadrant's recommendations and/or services.

## **Investment Management Services**

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Quadrant manages client investment portfolios on a discretionary or non-discretionary basis. Quadrant primarily allocates client assets among various mutual funds, exchange-traded funds (“ETFs”), stocks, municipal and corporate bonds, alternative investments, structured notes and third-party independent investment managers (“Independent Managers”) in accordance with their stated investment objectives.

Quadrant also manages the Quadrant Enhanced Equity Strategy. In the Quadrant Enhanced Equity Strategy, we purchase equity securities of individual companies we believe to be attractively priced and generate income from writing options (usually “put” options) on those securities. Quadrant offers this strategy to clients directly, where Quadrant serves as the primary investment adviser, and also indirectly where Quadrant is retained as a subadviser.

Where appropriate, the Firm provides advice about any type of legacy position or other investment held in client portfolios. Clients can engage Quadrant to manage and/or advise on certain investment products that are not maintained at their primary custodian, such as private placements, direct real estate holdings, variable life insurance and annuity contracts and assets held in employer sponsored retirement plans and qualified tuition plans (*i.e.*, 529 plans). In the latter situations, Quadrant directs or recommends the allocation of client assets among the various investment options available with the product. Certain of these assets are maintained at the underwriting insurance company or the custodian designated by the product’s provider.

Quadrant tailors its advisory services to meet the needs of its individual clients and seeks to ensure, on a continuous basis, that client portfolios are managed in a manner consistent with those needs and objectives. Quadrant consults with clients on an initial and ongoing basis to assess their specific risk tolerance, time horizon, liquidity constraints and other related factors relevant to the management of their portfolios. Clients are advised to promptly notify Quadrant if there are changes in their financial situation or if they wish to place any limitations on the management of their portfolios. Clients have the authority to impose reasonable restrictions or mandates on the management of their accounts if Quadrant determines, in its sole discretion, the conditions would not materially impact the performance of a management strategy or prove overly burdensome to the Firm’s management efforts.

## **Retirement Plan Consulting Services**

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Quadrant provides various consulting services to qualified employee benefit plans and their fiduciaries. This suite of institutional services is designed to assist plan sponsors in

structuring, managing and optimizing their corporate retirement plans. Each engagement is individually negotiated and customized, and includes any or all of the following services:

- Plan Design and Strategy
- Plan Review and Evaluation
- Executive Planning & Benefits
- Investment Selection
- Plan Fee and Cost Analysis
- Plan Committee Consultation
- Fiduciary and Compliance
- Participant Education

As disclosed in the Advisory Agreement, certain of the foregoing services are provided by Quadrant as a fiduciary under the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). In accordance with ERISA Section 408(b)(2), each plan sponsor is provided with a written description of Quadrant’s fiduciary status, the specific services to be rendered and all direct and indirect compensation the Firm reasonably expects under the engagement.

### **Use of Independent Managers**

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As mentioned above, in certain circumstances Quadrant selects certain Independent Managers to actively manage a portion of its clients’ assets. The relationship will take one of the following forms:

**“Dual Contract”.** Under a Dual Contract relationship, the specific terms and conditions under which a client engages an Independent Manager will be set forth in a separate written agreement with the designated Independent Manager. In addition to this brochure, clients should also receive the written disclosure documents of the respective Independent Managers engaged to manage their assets. Clients will be responsible for paying investment advisory fees to both Quadrant and the Independent Manager(s).

**“Direct”.** In a Direct relationship, Quadrant will select one or more Independent Managers from the population of Independent Managers who participate in Quadrant’s selected platform program, administered by an independent platform manager (“Platform Manager”). In this arrangement, the Platform Manager provides systems and administrative support to facilitate Quadrant’s selection of the Independent Manager and charges a fee for its services. (“Platform Fee”). Clients will be responsible for paying the investment advisory fees for Quadrant and the Independent Manager(s) as well as the Platform Fee.

Quadrant evaluates a variety of information about Independent Managers, which include

the Independent Managers' public disclosure documents, materials supplied by the Independent Managers themselves and other third-party analyses it believes are reputable. To the extent possible, the Firm seeks to assess the Independent Managers' investment strategies, past performance and risk results in relation to its clients' individual portfolio allocations and risk exposure. Quadrant also takes into consideration each Independent Manager's management style, returns, reputation, financial strength, reporting, pricing and research capabilities, among other factors.

Quadrant continues to provide services relative to the discretionary or non-discretionary selection of the Independent Managers. At least annually, the Firm monitors the performance of those accounts being managed by Independent Managers. Quadrant seeks to ensure the Independent Managers' strategies and target allocations remain aligned with its clients' investment objectives and overall best interests.

We offer clients the option of obtaining certain financial solutions from unaffiliated third-party financial institutions with the assistance of our affiliate, Focus Client Solutions ("FCS"). Please see Item 10 for a fuller discussion of these services and other important information.

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

Quadrant offers services on a fee basis, which include fixed and/or hourly fees, as well as fees based upon assets under management or advisement. Additionally, certain of the Firm's Supervised Persons, in their individual capacities, could offer securities brokerage services and/or insurance products under a separate commission-based arrangement.

### **Wealth Management Fees**

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Wealth management services are offered on a fee basis, meaning that clients pay a single annualized fee based upon assets under management. Quadrant charges a minimum fee of \$15,000 per annum, but does not impose a minimum value of assets under management for opening or maintaining an account.

Our investment management fee structure is outlined below. For fee arrangements that are tiered, the fee is calculated by applying a defined fee rate to a corresponding range of the account's value. Please note that the fees outlined represent fee guidelines, and we reserve, at our sole discretion, the right to negotiate fees with existing or prospective clients. Occasionally, under certain circumstances, a fixed rate may apply. In addition, we may waive the minimum fee or charge a lesser fee based upon certain criteria (e.g. such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts account composition, pre-existing client relationship, account

retention and pro bono activities). The specific fee charged to each client is established in a fee schedule included in the client’s Wealth Management Agreement. The fee schedule for existing clients may be different than the schedule below.

<b>ADVISORY FEE SCHEDULE</b>	
<b>Managed Asset Value</b>	<b>Tiered Rate</b>
First \$1,000,000	1.50%
Next \$2,000,000	1.00%
Next \$3,000,000	.8%
Above \$6,000,000	.6%
*The percentage fee shown for each range of the managed asset value will apply only to assets within that range.	

**Assets not subject to the above fee schedule:**

Assets allocated to Independent Manager programs	Up to 2.00% (as detailed below)
Assets allocated to Quadrant Enhanced Equity Strategy	2.00%

Assets allocated to Independent Manager programs or the Quadrant Enhanced Equity Strategy are not considered for calculating the value of assets used to determine the appropriate fee tier or to meet the minimum fee amount. As discussed above, client assets may be allocated to Independent Managers through either a Dual Contract or Direct relationship. In either case, the fees charged by the Independent Managers and, in the case of a Direct relationship, the Platform Fee are in addition to the above fees paid to Quadrant.

The annual fee is prorated and charged quarterly, in advance, based upon the market value of the assets being managed by Quadrant on the last day of the previous billing period. If assets are deposited into or withdrawn from an account after the inception of a billing period, the fee payable with respect to such assets will be prorated to account for the interim change in portfolio value. For the initial term of the Program, the fee is calculated on a pro rata basis. In the event the Client Agreement is terminated, the fee for the final billing period is prorated through the effective date of the termination and the outstanding balance is refunded or charged to the client, as appropriate.

**Quadrant Enhanced Equity Strategy**

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Clients will note that our fees are higher for assets invested in the Quadrant Enhanced Equity Strategy than our fees for other investments. This is due to the greater complexity in

managing and administering the strategy. This fee difference creates a conflict of interest as it may incentivize us to allocate more assets to such strategies. We have addressed the conflict through disclosure in this Brochure and in our agreement with the client.

### **Financial Planning and Consulting Fees**

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Quadrant can elect to charge a fixed and/or hourly fee for providing financial planning and consulting services under a stand-alone engagement. These fees are negotiable based on a fee of \$500 per hour for financial planning and consulting services, depending upon the scope and complexity of the services and the professional rendering the financial planning and/or the consulting services. If the client engages the Firm for additional investment advisory services, Quadrant can offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services.

The terms and conditions of the financial planning and/or consulting engagement are set forth in the Advisory Agreement and Quadrant generally requires one-half of the fee (estimated hourly or fixed) payable upon execution of the Advisory Agreement. The outstanding balance is generally due upon delivery of the financial plan or completion of the agreed upon services. The Firm does not, however, take receipt of \$1,200 or more in prepaid fees in excess of six months in advance of services rendered.

### **Direct Fee Debit**

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Clients provide Quadrant with the authority to directly debit their accounts for payment of the investment advisory fees within the Investment Management Agreement. The Financial Institutions that act as the qualified custodian for client accounts, from which the Firm retains the authority to directly deduct fees, have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to Quadrant.

### **Account Additions and Withdrawals**

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Clients can make additions to and withdrawals from their account at any time, subject to Quadrant's right to terminate an account. Additions may be in cash or securities provided that the Firm reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients can withdraw account assets on notice to Quadrant, subject to the usual and customary securities settlement procedures. However, Quadrant designs its portfolios as long-term investments and the withdrawal of assets could impair the achievement of a client's investment objectives. Quadrant will consult with its clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they could be subject to transaction

fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

### **Additional Fees and Expenses**

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In addition to the advisory fees paid to Quadrant, clients could also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions (collectively “Financial Institutions”). These additional charges usually include securities brokerage commissions, transaction fees, custodial fees, fees attributable to alternative assets, reporting charges, fees charged by the Independent Managers, margin costs, charges imposed directly by a mutual fund or ETF in a client’s account, as disclosed in the fund’s prospectus (*e.g.*, fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. The Firm’s brokerage practices are described at length in Item 12, below.

### **Commissions and Sales Charges for Recommendations of Securities**

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Certain of the Firm’s advisory personnel are registered representatives of Purshe Kaplan Sterling Investments, Inc., (“PKS”), a securities broker-dealer that is not affiliated with Quadrant and is a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. In their capacity as registered representatives, these persons are compensated through commissions and 12b-1 trails for sales of 529 plans and annuities initially recommended when they were full time registered representatives of brokerage firms. This practice presents a conflict of interest because these advisory personnel who are registered representatives have an incentive to recommend securities transactions for the purpose of being compensated for product sales rather than solely based on a client’s needs. The Firm addresses this conflict of interest through disclosure and notes that clients are under no obligation, contractually or otherwise, to purchase securities products through any person affiliated with our firm. In addition, our firm’s advisory personnel do not receive brokerage compensation and advisory compensation on the same client assets (i.e., they do not “double dip”).

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

Quadrant does not provide any services for a performance-based fee (*i.e.*, a fee based on a share of capital gains or capital appreciation of a client’s assets).

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

### **Minimum Account Requirements**

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As stated in Item 5 above, effective with the effective date of this brochure, Quadrant does impose a minimum fee of \$15,000 per annum but does not impose a minimum value of assets under management for opening or maintaining an account. This minimum fee amount will be different for clients engaged before the effective date of this brochure.

### **Types of Clients**

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Quadrant offers services to individuals, families, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities.

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

### **Methods of Analysis and Investment Strategies**

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Quadrant employs a largely top-down approach utilizing a combination of fundamental and technical methods of analysis with an emphasis on risk management.

Fundamental analysis involves an evaluation of the fundamental financial condition and competitive position of a particular manager, fund or issuer. For Quadrant, this process typically involves an analysis of an issuer's management team, investment strategies, style drift, past performance, reputation and financial strength in relation to the asset class concentrations and risk exposures of the Firm's model asset allocations. A substantial risk in relying upon fundamental analysis is that while the overall health and position of a company seem to be good, evolving market conditions can negatively impact the security.

Technical analysis involves the examination of past market data rather than specific issuer information in determining the recommendations made to clients. Technical analysis involves the use of mathematical based indicators and charts, such as moving averages and price correlations, to identify market patterns and trends which could be based on investor sentiment rather than the fundamentals of the company. A substantial risk in relying upon technical analysis is that spotting historical trends may not help to predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that Quadrant will be able to accurately predict such a reoccurrence.

## **Risk of Loss**

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### *Market Risks*

All investments present the risk of loss of principal – the risk that the value of securities, when sold or otherwise disposed of, may be less than the price paid for the securities. Even when the value of the securities when sold is greater than the price paid, there is the risk that the appreciation will be less than inflation. In other words, the purchasing power of the proceeds may be less than the purchasing power of the original investment. At various times in the past, volatile market conditions have had a dramatic effect on the value of securities. In addition, terrorist attacks, other acts of violence or war, health epidemics or pandemics, natural hazards, and/or force majeure may affect the operations and profitability of an issuer. Such events also could cause consumer confidence and spending to decrease or result in increased volatility in the U.S. and worldwide financial markets and economy. Any of these occurrences could have a significant impact on the operating results and revenues of an issuer. There can be no assurance that Quadrant will be able to predict those price movements accurately or capitalize on any such assumptions.

### *Mutual Funds and ETFs*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (*e.g.*, sales loads, purchase fees, redemption fees). The NAV per share is computed once per day based on the closing market prices of the securities in the fund's portfolio. Every buy and sell order for mutual funds are processed at the NAV on the respective trade date.

An ETF, or exchange traded fund, is a marketable security that tracks an index, a commodity, bonds, or a basket of assets like an index fund. Unlike mutual funds, an ETF trades like a common stock on a stock exchange. ETFs experience price changes throughout the day as they are bought and sold. ETFs typically have higher daily liquidity and lower fees than mutual funds. Because it trades like a stock, an ETF does not have its net asset value (NAV) calculated once at the end of every day like a mutual fund does.

There is also no guarantee that an active secondary market for such shares will develop or

continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 20,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

#### *Risks Associated with Structured Notes*

**Complexity.** Structured notes are complex financial instruments. Clients should understand the reference asset(s) or index(es) and determine how the note's payoff structure incorporates such reference asset(s) or index(es) in calculating the note's performance. This payoff calculation includes leverage multiplied on the performance of the reference asset or index, protection from losses should the reference asset or index produce negative returns, and fees. Structured notes usually have complicated payoff structures that can make it difficult for clients to accurately assess their value, risk and potential for growth through the term of the structured note. Determining the performance of each note can be complex and this calculation can vary significantly from note to note depending on the structure. Notes can be structured in a wide variety of ways. Payoff structures can be leveraged, inverse, or inverse-leveraged, which may result in larger returns or losses. Clients should carefully read the prospectus for a structured note to fully understand how the payoff on a note will be calculated and discuss these issues with us.

**Market risk.** Some structured notes provide for the repayment of principal at maturity, which is often referred to as "principal protection." This principal protection is subject to the credit risk of the issuing financial institution. Many structured notes do not offer this feature. ***For structured notes that do not offer principal protection, the performance of the linked asset or index may cause clients to lose some, or all, of their principal.*** Depending on the nature of the linked asset or index, the market risk of the structured note may include changes in equity or commodity prices, changes in interest rates or foreign exchange rates, or market volatility.

**Issuance price and note value.** The price of a structured note at issuance will likely be higher than the fair value of the structured note on the date of issuance. Issuers now disclose an estimated value of the structured note on the cover page of the offering prospectus, allowing investors to gauge the difference between the issuer's estimated value of the note and the issuance price. The estimated value of the notes is likely lower than the issuance price of the note to investors because issuers include the costs for selling, structuring or hedging the exposure on the note in the initial price of their notes. After issuance, structured notes cannot be re-sold on a daily basis and thus will be difficult to value given their complexity.

**Liquidity.** The ability to trade or sell structured notes in a secondary market is often very limited as structured notes (other than exchange-traded notes known as ETNs) are not listed

for trading on security exchanges. As a result, the only potential buyer for a structured note may be the issuing financial institution's broker-dealer affiliate or the broker-dealer distributor of the structured note. In addition, issuers often specifically disclaim their intention to repurchase or make markets in the notes they issue. Clients should, therefore, be prepared to hold a structured note to its maturity date, or risk selling the note at a discount to its value at the time of sale.

**Credit risk.** Structured notes are unsecured debt obligations of the issuer, meaning that the issuer is obligated to make payments on the notes as promised. These promises, including any principal protection, are only as good as the financial health of the structured note issuer. If the structured note issuer defaults on these obligations, investors could lose some, or all, of the principal amount they invested in the structured notes as well as any other payments that would be due on the structured notes.

**Call risk.** Some structured notes have "call provisions" that allow the issuer, at its sole discretion, to redeem the note before it matures at a price that can be above, below or equal to the face value of the structured note. If the issuer "calls" the structured note, clients may not be able to reinvest their money at the same rate of return provided by the structured note that the issuer redeemed.

**Tax considerations.** The tax treatment of structured notes is complicated and in some cases uncertain. Before purchasing any structured note, clients should consult with a tax advisor. Clients also should read the applicable tax risk disclosures in the prospectuses and other offering documents of any structured note they are considering purchasing.

#### *Risks Associated with Alternative Investments*

Quadrant recommends that certain clients invest in privately placed pooled investment vehicles (*e.g.*, hedge funds, private equity funds, etc.) ("Alternative Investments"). The managers of these Alternative Investments have broad discretion in selecting the investments in such vehicles. There are few limitations on the types of securities or other financial instruments which may be traded and no requirement to diversify. Hedge funds can trade on margin or otherwise leverage positions, thereby potentially increasing the risk to the vehicle. In addition, because the vehicles are not registered as investment companies, there is an absence of regulation. There are numerous other risks in investing in these securities. Clients should consult each fund's private placement memorandum and/or other documents explaining such risks prior to investing.

### *Risks Associated with Options*

As discussed above, the Quadrant Enhanced Equity Strategy makes significant use of options writing (usually “put” options) for the purpose of generating income. Investors in this strategy should note the risks described below related to writing options.

The writer of a “put” option receives premium payments in exchange for the obligation to purchase stock from the holder of the option at the agreed-upon strike price. The writer of a “call” option receives premium payments in exchange for the obligation to sell stock to the holder of the option at the agreed-upon strike price.

The writer of a put option could potentially incur substantial and immediate losses in the event of significant and sudden declines in the price of the underlying security. If the option is exercised, the writer of the put option is exposed to potential losses of the difference between the strike price of the option and the market price of the underlying security when exercised. The potential for loss is greatest where the put is “uncovered” and the writer of the option has not reserved cash to cover the cost of purchasing the delivered security.

Quadrant may write calls, but only to the extent that an account holds the underlying security. This is referred to as a “covered call” as is generally used to provide a hedge against declines in the price of the security. To the extent that a call is written against a security held in an account, the account will not realize the benefit of any increases in the price of the security.

Moreover, sales of options are subject to the costs and risks of trading on margin, which include the magnification of trading gains and losses and the potential for forced liquidation of a position at fire sale prices in order to meet margin maintenance requirements.

### *Master Limited Partnerships (MLPs)*

Master Limited Partnerships (“MLPs”) are collective investment vehicles, the partnership interests of which are publicly traded on national securities exchanges. MLPs invest primarily in companies within the energy sector that engage in qualifying lines of business, such as natural resource production and mineral refinement. MLPs are therefore subject to the underlying volatility of the energy industry and will be adversely affected by changes to supply and demand, regional instability, currency spreads, inflation and interest rate fluctuations, among other such factors. In addition, MLPs operate as pass-through tax entities, meaning that investors are liable for their pro rata share of the partnership taxes, regardless of the types of accounts where the interests are held.

### *Exchange-Traded Notes (ETNs)*

Quadrant may recommend an investment in, or allocate assets among, various exchange-traded notes (“ETNs”). ETNs are unsecured debt securities which are listed on securities

exchanges and transacted at negotiated prices in the secondary market. ETNs are designed to track the performance of a corresponding benchmark. An ETN is essentially a contract between an issuer and the ETN holder, whereby the issuer, upon maturity, agrees to pay an amount relative to the returns of the underlying benchmark. In addition to the risks associated with the specific benchmark, ETN holders are also subject to various counterparty concerns. In this respect, the value of an ETN may be adversely impacted by a downgrade to the issuer's credit rating and/or an unwillingness or inability of the issuer to perform its contractual obligations.

#### *Use of Independent Managers*

As stated above, Quadrant can select certain Independent Managers to manage a portion of its clients' assets. In these situations, Quadrant continues to conduct ongoing due diligence of such managers, but such recommendations rely to a great extent on the Independent Managers' ability to successfully implement their investment strategies. In addition, Quadrant generally does not have the ability to supervise the Independent Managers on a day-to-day basis.

#### *Management through Similarly Managed "Model" Accounts*

Quadrant manages certain accounts through the use of similarly managed "model" portfolios, whereby the Firm allocates all or a portion of its clients' assets among various mutual funds and/or securities on a discretionary basis using one or more of its proprietary investment strategies. In managing assets through the use of models, the Firm remains in compliance with the safe harbor provisions of Rule 3a-4 of the Investment Company Act of 1940.

The strategy used to manage a model portfolio could involve an above average portfolio turnover that could negatively impact clients' net after tax gains. While the Firm seeks to ensure that clients' assets are managed in a manner consistent with their individual financial situations and investment objectives, securities transactions effected pursuant to a model investment strategy are usually done without regard to a client's individual tax ramifications. Clients should contact the Firm if they experience a change in their financial situation or if they want to impose reasonable restrictions on the management of their accounts.

#### *Cybersecurity*

The computer systems, networks and devices used by Quadrant and service providers to us and our clients 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, systems, networks, or devices 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 may cause disruptions and impact 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 could 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, substantial costs may be incurred by these entities in order to prevent any cybersecurity breaches in the future.

## **Item 9. Disciplinary Information**

Quadrant has not been involved in any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of its management.

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

As noted above in response to Item 4, certain investment vehicles managed by Stone Point collectively are principal owners of Focus LLC and Focus Inc., and certain investment vehicles managed by KKR collectively are minority owners of Focus LLC and Focus Inc. Because Quadrant is an indirect, wholly-owned subsidiary of Focus LLC and Focus Inc., the Stone Point and KKR investment vehicles are indirect owners of Quadrant. None of Stone Point, KKR, or any of their affiliates participates in the management or investment recommendations of our business.

### **Focus Client Solutions**

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We offer clients the option of obtaining certain financial solutions from unaffiliated third-party financial institutions with the assistance of our affiliate, Focus Client Solutions ("FCS"), a wholly owned subsidiary of our parent company, Focus Financial Partners, LLC. These third-party financial institutions are banks and non-banks (the "Network Institutions")

which offer credit and cash management solutions to our clients. Certain other unaffiliated third-parties provide administrative and settlement services to facilitate FCS's cash management solutions. FCS acts as an intermediary to facilitate our clients' access to these credit and cash management solutions.

FCS receives quarterly fees (the "Network Fees") from the Network Institutions and certain administrative services providers (the "Administrative Services Providers" and, together with the Network Institutions, the "Network Providers") in exchange for allowing them to participate in the FCS credit and cash management programs and thereby to offer their services to our clients. The Network Fees are substantial and are expected to change over time. Such fees are revenue for FCS and ultimately for our common parent company, Focus Financial Partners, LLC, but we do not share in such revenue. Accordingly, although we have a conflict of interest when recommending FCS's services to clients because of the compensation to our affiliates (FCS and Focus) we mitigate this conflict by: (1) disclosing the above arrangements to our clients; (2) offering FCS solutions to clients on a strictly nondiscretionary and fully disclosed basis, and not as part of any discretionary investment services; and (3) not sharing in any portion of FCS's revenue in exchange for successfully offering these credit and cash management products to our clients. Additionally, we note that clients who use FCS's services will receive robust product-specific disclosure from the Network Providers that provide such services to our clients.

Even if we do not retain a portion of the Network Fees attributable to our clients' use of FCS's services (which mitigates the conflict that would otherwise have arisen from our receipt of incremental revenue), FCS does retain the Network Fees and also indirectly benefits from our clients' use of the services insofar as such use incentivizes the Network Providers to maintain their relationship with FCS and to continue paying Network Fees to FCS. It also may support increases in the overall amount of the Network Fee rates in the future. In addition, our interest in continuing to receive investment advisory fees from client accounts gives us a financial incentive to recommend that clients borrow money rather than liquidating some or all of the assets we manage, and that creates a conflict of interest when we recommend FCS to provide credit solutions to our clients.

### *FCS Credit Solutions*

For FCS credit solutions, the interest rate of the loan is ultimately dictated by the lender, although in some circumstances FCS may have the ability to influence the lender to lower the interest rate of the loan within certain parameters. The final rate may be higher or lower than the prevailing market rate. We can offer no assurances that the rates offered to you by the lender are the lowest possible rates available in the marketplace.

Clients retain the right to pledge assets in accounts generally, subject to any restrictions imposed by clients' custodians. While the FCS program facilitates secured loans through Network Institutions, clients are free instead to work directly with institutions outside the FCS program. Because of the limited number of participating Network Institutions and FCS's financial arrangements with those institutions, clients may be limited in their ability to obtain as favorable loan terms as if the client were to work directly with other banks to negotiate loan terms or obtain other financial arrangements.

Clients should also understand that pledging assets in an account to secure a loan involves additional risk and restrictions. A Network Institution has the authority to liquidate all or part of the pledged securities at any time, without prior notice to clients and without their consent, to maintain required collateral levels. The Network Institution also has the right to call client loans and require repayment within a short period of time; if the client cannot repay the loan within the specified time period, the Network Institution will have the right to force the sale of pledged assets to repay those loans. Selling assets to maintain collateral levels or calling loans may result in asset sales and realized losses in a declining market, leading to the permanent loss of capital. These sales also may have adverse tax consequences. Interest payments and any other loan-related fees are borne by clients and are in addition to the advisory fees that clients pay us for managing assets, including assets that are pledged as collateral. The returns on pledged assets may be less than the account fees and interest paid by the account. Clients should consider carefully and skeptically any recommendation to pursue a more aggressive investment strategy in order to support the cost of borrowing, particularly the risks and costs of any such strategy. More generally, before borrowing funds, a client should carefully review the loan agreement, loan application, and other forms and determine that the loan is consistent with the client's long-term financial goals and presents risks consistent with the client's financial circumstances and risk tolerance.

#### *FCS Cash Management Solutions*

For FCS cash management solutions, as stated above, certain third-party intermediaries provide administrative and settlement services in connection with the program. Those intermediaries each charge a fixed basis point fee on total deposits in the program, which are deducted from clients' cash balances in the program. Engaging FCS, the Network Institutions, and these other intermediaries to provide cash management solutions does not alter the manner in which we treat cash for billing purposes.

Clients should understand that in rare circumstances, depending on interest rates and other economic and market factors, the yields on cash management solutions could be lower than the aggregate fees and expenses charged by the Network Institutions, the intermediaries referenced above, and us. Consequently, in these rare circumstances, a client could

experience a negative overall investment return with respect to those cash investments. Nonetheless, it might still be reasonable for a client to participate in the FCS cash management program if the client prefers to hold cash at the Network Institutions rather than at other financial institutions (e.g., to take advantage of FDIC insurance).

Except as described above, Quadrant has no business relationship with other Focus Partners that is material to its advisory business or to its clients.

### **Registered Representatives of a Broker-Dealer**

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Certain of the Firm's Supervised Persons, in their individual capacities, are registered representatives of Purshe Kaplan Sterling Investments, Inc. ("PKS") and can provide clients with securities brokerage services under a separate commission-based arrangement. A conflict of interest exists to the extent that Quadrant recommends the purchase of a security and its Supervised Person receives a portion of the commissions paid to PKS. The Firm has procedures in place to ensure that all recommendations are made in the best interests of clients regardless of any additional compensation earned. For accounts covered by ERISA (and such others that Quadrant, in its sole discretion, deems appropriate), the Firm provides investment advisory services on a fee offset basis. In this scenario, Quadrant could offset its fees by an amount equal to the aggregate commissions and 12b-1 fees earned by the Firm's Supervised Persons in their capacities as registered representatives of PKS.

### **Licensed Insurance Agents**

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Certain of Quadrant's Supervised Persons, in their individual capacities, are licensed insurance agents and may effect the purchase of certain insurance products on a fully-disclosed commission basis. A conflict of interest exists to the extent that the Firm recommends the purchase of insurance products where its Supervised Person receives insurance commissions or other additional compensation.

In addition to advisory services, Quadrant could offer its advisory clients various insurance services through a separate entity Quadrant Insurance Wealth Structuring, LLC. Quadrant receives compensation for such insurance transactions separate from the compensation Quadrant receives for its advisory services.

### **Fees from Independent Managers**

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As discussed above, Quadrant recommends that certain clients authorize the active

discretionary management of a portion of their assets by and/or among certain Independent Managers. There can be a conflict of interest to choose such Independent Managers; however, Quadrant evaluates Independent Managers objectively and not based on the amount of compensation it could receive from a particular Independent Manager.

## **Item 11. Code of Ethics**

Quadrant has adopted a code of ethics in compliance with applicable securities laws (“Code of Ethics”) that sets forth the standards of conduct expected of its Supervised Persons. Quadrant’s Code of Ethics contains written policies reasonably designed to prevent certain unlawful practices such as the use of material non-public information by the Firm or any of its Supervised Persons and the trading by the same of securities ahead of clients in order to take advantage of pending orders.

The Code of Ethics also requires certain of Quadrant’s personnel to report their personal securities holdings and transactions and obtain pre-approval of certain investments (*e.g.*, initial public offerings, limited offerings). However, the Firm’s Supervised Persons are permitted to buy or sell securities that it also recommends to clients if done in a fair and equitable manner that is consistent with the Firm’s policies and procedures. This Code of Ethics has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by certain personnel to be completed without any appreciable impact on the markets of such securities. Therefore, under limited circumstances, exceptions can be made to the policies stated below.

When the Firm is engaging in or considering a transaction in any security on behalf of a client, no Supervised Person with access to this information can knowingly effect for themselves or for their immediate family (i.e., spouse, minor children and adults living in the same household) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the Supervised Person is completed as part of a batch trade with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers’ acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

A copy of Quadrant's Code of Ethics is available to all clients and prospective clients upon request.

From time to time, Quadrant causes client accounts to buy or sell securities from one another ("Cross Trades"), for purposes of rebalancing, liquidity or otherwise. Quadrant has adopted compliance procedures requiring documentation, approval and monitoring of Cross Trades which are designed to ensure that the Cross Trades are appropriate and are fair to all client accounts who are engaging in the Cross Trades.

## **Item 12. Brokerage Practices**

### **Recommendation of Broker-Dealers for Client Transactions**

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Quadrant generally recommends that clients utilize the custody, brokerage and clearing services of Schwab Advisor Services™ ("Schwab") or National Financial Services, LLC, d/b/a Fidelity Clearing and Custodial Solutions ("Fidelity"), each a "Custodian," for investment management accounts.

Factors which Quadrant considers in recommending a Custodian or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. The Custodian enables the Firm to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by the Custodian can be higher or lower than those charged by other Financial Institutions.

The commissions paid by Quadrant's clients to a Custodian comply with the Firm's duty to seek "best execution." Clients could pay commissions that are higher than another qualified Financial Institution might charge to effect the same transaction where Quadrant determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a Financial Institution's services, including among others, the value of research provided, execution capability, commission rates and responsiveness. Quadrant seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Consistent with obtaining best execution, brokerage transactions can be directed to certain broker-dealers in return for investment research products and/or services which assist Quadrant in its investment decision-making process. Such research generally will be used to service all of the Firm's clients, but brokerage commissions paid by one client may be

used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because Quadrant does not have to produce or pay for the products or services.

Quadrant periodically and systematically reviews its policies and procedures regarding its recommendation of Financial Institutions in light of its duty to obtain best execution.

### **Software and Support Provided by the Custodians**

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Quadrant receives without cost from the Custodians support services and/or products, certain of which assist Quadrant to better monitor and service client accounts maintained at such institutions. Such support services typically 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, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Quadrant in furtherance of its investment advisory business operations.

In addition to support services and/or products that assist the Firm in managing and administering client accounts, the Firm receives financial assistance to manage and further develop its business enterprise and offset costs that Quadrant would otherwise be required to bear. That assistance includes payments when the Firm initiates a new relationship with a custodian or transitions client relationships from one custodian to another custodian. These payments are often significant and are intended to assist the Firm with the costs of transitioning client accounts to the new custodian. The support services and/or products provided by a Custodian may be used to service all or a substantial number of the Firm's client accounts, including accounts not maintained at the Custodian providing the services and/or products.

Quadrant receives the following benefits from the Custodians:

- Fidelity is offering a credit of \$175,000 to be used toward qualifying start-up and transition costs, including legal fees, marketing materials, technology, printing and stationery, and other transition-related expenses incurred during the, in addition to other credits for reimbursement of ACAT, transaction and asset-based fees for a limited period of time;
- Receipt of duplicate client confirmations and bundled duplicate statements;

- Access to a trading desk that exclusively services its institutional traders;
- Access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and
- Access to an electronic communication network for client order entry and account information.

In addition, a selected Custodian may reimburse a Quadrant client for expenses incurred with moving an account to the selected Custodian. Absent such reimbursement, the expenses would generally be borne by the client. Quadrant does not consider whether it will receive client referrals in connection with selecting or recommending broker-dealers.

The benefits and/or payments to Quadrant present a conflict of interest because Quadrant has a financial incentive to recommend that clients engage with one of the Custodians, and to recommend switching investment products or services where a client's current investment options are not available through the selected Custodian. These arrangements do not cause Quadrant's clients to pay more for investment transactions effected and/or assets maintained at Custodian than such clients would pay at Custodian absent the agreement. There is no express commitment made by Quadrant to a Custodian or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as result of the above arrangement. Also, any benefits received by Quadrant from a Custodian do not depend on the specific amount of brokerage transactions directed to such Custodian. The benefits and payments, however, are an inducement to Quadrant to utilize the services of the Custodians and are provided based on an expectation by each Custodian that Quadrant will direct enough business to each Custodian that it is financially advantageous for the Custodians to provide those benefits and payments. The benefits that Quadrant may receive may vary amongst the Custodians. As part of its fiduciary duty to clients, Quadrant endeavors at all times to put the interests of clients first. Clients and future clients should be aware, however, that the receipt of economic benefits by Quadrant in and of itself influences the Firm's recommendation to clients to utilize one of the Custodians for custody and brokerage services.

Quadrant receives without cost from the Custodians computer software and related systems support, which allow Quadrant to better monitor client accounts maintained each Custodian. Quadrant receives the software and related support without cost because the Firm renders investment management services to clients that maintain assets at each Custodian. The software and support is not provided in connection with securities transactions of clients (*i.e.*, not "soft dollars").

The software and related systems support benefits Quadrant, but not its clients directly. In fulfilling its duties to its clients, Quadrant endeavors at all times to put the interests of its clients first. Clients should be aware, however, that Quadrant's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits might influence the Firm's choice of broker-dealer over another that does not furnish similar software, systems support or services.

Specifically, Quadrant receives the following benefits from the Custodians:

- Receipt of duplicate client confirmations and bundled duplicate statements;
- Access to a trading desk that exclusively services its institutional traders;
- Access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and
- Access to an electronic communication network for client order entry and account information.

### **Commissions or Sales Charges for Recommendations of Securities**

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As discussed above, certain Supervised Persons in their respective individual capacities are registered representatives of PKS. These Supervised Persons are subject to FINRA Rule 3280 which restricts registered representatives from conducting securities transactions away from their broker-dealer unless PKS provides written consent. Therefore, clients are advised that certain Supervised Persons are restricted to conducting securities transactions through PKS if they have not secured written consent from PKS to execute securities transactions through a different broker-dealer. Absent such written consent or separation from PKS, these Supervised Persons are prohibited from executing securities transactions through any broker-dealer other than PKS under its internal supervisory policies. The Firm is cognizant of its duty to obtain best execution and has implemented policies and procedures reasonably designed in such pursuit.

### **Trade Aggregation**

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Transactions for each client generally will be effected independently, unless Quadrant decides to purchase or sell the same securities for several clients at approximately the same time. Quadrant can (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Firm's clients differences in prices and commissions or other transaction costs that might not have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and allocated among Quadrant's clients

pro rata to the purchase and sale orders placed for each client on any given day. To the extent that the Firm determines to aggregate client orders for the purchase or sale of securities, including securities in which Quadrant's Supervised Persons invest, the Firm generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the Securities and Exchange Commission. Quadrant does not receive any additional compensation or remuneration as a result of the aggregation.

In the event that the Firm determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares will be reallocated to other accounts (this is due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations could be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a de minimis allocation in one or more accounts, the Firm could exclude the account(s) from the allocation; the transactions will be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares could be allocated to one or more accounts on a random basis.

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

### **Account Reviews**

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Quadrant monitors its clients' investment portfolios and conducts regular account reviews not less than annually. Model portfolio reviews are conducted by the Firm's centralized investment committee, while individual client account reviews are done by one or more of the Firm's investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with Quadrant and to keep Quadrant informed of any changes thereto. Quadrant contacts ongoing investment advisory clients at least annually to review its previous services and recommendations, and to discuss the impact resulting from any changes in their financial situation and/or investment objectives.

## Account Statements and Reports

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Clients are provided with transaction confirmation notices and regular summary account statements directly from the Financial Institutions. Clients also receive periodic reports from Quadrant that includes relevant account and/or market-related information, such as an inventory of account holdings and/or portfolio performance. Clients should compare any supplemental reports they receive from Quadrant and/or the Independent Managers with the summary account statements they receive from the Financial Institutions.

## Item 14. Client Referrals and Other Compensation

### Client Referrals

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In the event a client is introduced to Quadrant by either an unaffiliated or an affiliated solicitor, the Firm could pay that solicitor a referral fee in accordance with applicable state securities laws. Unless otherwise disclosed, any such referral fee is paid solely from Quadrant's investment management fee and does not result in any additional charge to the client. If the client is introduced to the Firm by an unaffiliated solicitor, the solicitor is required to provide the client with Quadrant's written brochure(s) and a copy of a solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement. Any affiliated solicitor of Quadrant is required to disclose the nature of his or her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of the Firm's written brochure(s) at the time of the solicitation.

**Quadrant Employee Referral Bonus Program.** If an employee is instrumental in sourcing a new client relationship this program allows an employee to share in a portion of the revenue recognized by the firm.

Quadrant's parent company is Focus Financial Partners, LLC ("Focus"). From time to time, Focus holds partnership meetings and other industry and best-practices conferences, which typically include Quadrant, other Focus firms and external attendees. These meetings are first and foremost intended to provide training or education to personnel of Focus firms, including Quadrant. However, the meetings do provide sponsorship opportunities for asset managers, asset custodians, vendors and other third-party service providers. Sponsorship fees allow these companies to advertise their products and services to Focus firms, including Quadrant. Although the participation of Focus firm personnel in these meetings is not preconditioned on the achievement of a sales target for any conference sponsor, this practice could nonetheless be deemed a conflict as the marketing and education activities conducted, and the access granted, at such meetings and conferences could cause Quadrant

to focus on those conference sponsors in the course of its duties. Focus attempts to mitigate any such conflict by allocating the sponsorship fees only to defraying the cost of the meeting or future meetings and not as revenue for itself or any affiliate, including Quadrant. Conference sponsorship fees are not dependent on assets placed with any specific provider or revenue generated by such asset placement.

The following entities have provided conference sponsorship to Focus in the last year:

- Charles Schwab & Co., Inc.
- eMoney Advisors, LLC
- Investnet Financial Technologies, Inc.
- Fidelity Brokerage Services LLC
- Fidelity Institutional Asset Management LLC
- Orion Advisor Services, LLC

### **Other Compensation**

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As noted in Item 12 above, the Custodians have agreed to reimburse Quadrant for certain expenses incurred in connection with clients transitioning their custody, brokerage and clearing relationships to the Custodians.

Certain Quadrant financial advisor employees are eligible to receive direct or indirect compensation based upon the revenue generated from client accounts serviced by such advisors.

### **Item 15. Custody**

The Investment Management Agreement and/or the separate agreements with a Custodian can authorize Quadrant through the Custodian to debit the wealth management or portfolio management client's account for the amount of Quadrant's annual management fee and to remit that fee directly to Quadrant in accordance with applicable custody rules. The Custodians used in conjunction with Quadrant's services have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account, including the amount of annual management fees paid directly to Quadrant. In addition, as discussed in Item 13, Quadrant sends periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the Custodians and compare them to those they receive from Quadrant.

Quadrant does not maintain physical custody of client assets; client assets are custodied by one or more of the Custodians. Quadrant is deemed to have custody of client funds because it has the ability to authorize the Custodian to debit its annual management fee. Quadrant

is also deemed to have custody by virtue of Standing Letters of Authorization (“SLOAs”) entered into by certain clients, which provide Quadrant with the ability to initiate transfers of client funds pursuant to and within the scope of a pre-defined authorization agreement established by the client. Quadrant is not subject to a surprise examination by a PCAOB firm because the firm is in compliance with the seven specified representations that gives relief to this requirement.

## **Item 16. Investment Discretion**

Quadrant could be given the authority to exercise discretion on behalf of clients. Quadrant is considered to exercise investment discretion over a client’s account if it can effect and/or direct transactions in client accounts without first seeking their consent. Quadrant is given this authority through a power-of-attorney included in the agreement between Quadrant and the client. Clients have the option to request a limitation on this authority (such as certain securities not to be bought or sold). Quadrant takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made; and
- The Independent Managers to be hired or fired.

## **Item 17. Voting Client Securities**

Unless we have previously agreed to vote your proxies, we will not be responsible for voting proxies on your behalf and you will be solely responsible for casting such votes. You are responsible for (a) directing the manner in which proxies solicited by issuers of securities will be voted and (b) making all elections relating to mergers, acquisitions, tender offers, bankruptcy proceedings and other events pertaining to the securities. We will instruct the custodian to forward copies of all proxies and shareholder communications relating to the Assets to you.

## **Item 18. Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Quadrant’s financial condition. Quadrant has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding. Quadrant does not receive prepayment of more than \$1,200 in fees per client six months or more in

advance.