



## **BPU Investment Management, Inc.**

### **Form ADV Part 2A March 29, 2018**

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This brochure provides information about the qualifications and business practices of BPU Investment Management, Inc. ("BPU" or the "Adviser"). If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer at (800) 822-6585 or email [bpucompliance@bpuinvestments.com](mailto:bpucompliance@bpuinvestments.com).

Additional information about BPU is also available on the SEC's website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

BPU is registered as an investment adviser with the United States Securities and Exchange Commission ("SEC") under the Investment Advisers Act of 1940 ("Advisers Act"). Registration as an investment adviser with the SEC does not imply a certain level of skill or training. The information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

## **Item 2: Material Changes**

Since filing our last annual amendment on March 31, 2017, there have been no material changes to BPU's Brochure.

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## **Item 4: Advisory Business**

BPU is registered with the U.S. Securities and Exchange Commission ("SEC") as an investment adviser under the Investment Advisers Act of 1940, as amended. The firm was founded as Berkowitz and Pierchalski, in 1986. BPU has two principal owners: Mr. Robert Unkovic, President and Mr. Paul Brahim, Chief Executive Officer.

### **A. Assets Under Management**

BPU manages client assets on both a discretionary and non-discretionary basis. As of December 31, 2017, BPU managed approximately \$518,826,734 on a discretionary basis and \$21,926,045 on a non-discretionary basis.

BPU is a multi-disciplinary wealth management firm. We provide financial planning and wealth management services to clients. We recognize that each client's needs and circumstances are unique and offer personalized advisory services. Clients may impose restrictions on investing in certain securities or the types of securities.

BPU provides discretionary and non-discretionary account services.

### **B. Discretionary Accounts**

BPU provides client accounts with discretionary investment service where BPU exercises trading authority or control over the managed account. Discretionary services include portfolio advisory solutions, sub advisory relationships, and wrap accounts.

#### Portfolio Advisory Solutions

BPU's advice takes into account the financial background and investment objectives of each Client as agreed upon during initial and ongoing personal consultations. BPU offers its discretionary investment advisory services through its Portfolio Advisory Solutions ("PAS"), in which BPU provides investment advisory and brokerage service through the use of asset allocated investment models (which can include traditional index funds, actively managed mutual funds, ETFs, and separately or individually managed accounts in a unified strategy). Clients may impose restrictions on investing in certain securities or types of securities.

#### Sub-Advisory Relationships

BPU may provide investment advisory services through a sub-advisor relationship wherein BPU may hire non-affiliated investment managers to invest client accounts on a discretionary basis. BPU as the investment advisor maintains discretion to change sub-advisors in the portfolio based on the client's objectives and individual needs, as well as the performance of the sub-advisor. The sub-advisors may employ a variety of investment strategies which may utilize, mutual funds, ETF's, individual securities, etc.

#### Wrap Accounts

BPU serves as a portfolio manager in a number of wrap fee programs. These wrap fee programs are arrangements in which investment advisory services, brokerage execution services and custody are provided by a sponsor for a single predetermined "wrap" fee (regardless of the number of trades

completed by a client). Generally, client participating in a wrap fee program (“Wrap Program Clients”) pay this single, all-inclusive fee quarterly in advance to the program sponsor, based on the net assets under management. BPU receives from the program sponsor a portion of the wrap fee for the portfolio management services it provides. BPU generally provides the same advisory services to wrap programs as it does with other accounts. BPU as the program sponsor provides a separate brochure that contains detailed information about the wrap program, including the wrap fee charged.

### **C. Non-Discretionary Accounts**

BPU provides client accounts with non-discretionary investment recommendations. BPU will implement transactions only at the direction of the client. Financial advisors may recommend stocks, bonds or other assets of any kind, consistent with the client’s investment objectives and restrictions set forth in the Client Profile, which clients complete with assistance from their financial advisor. Additionally, clients may place unsolicited trades in their account. Non-discretionary account services include financial planning, investment fiduciary consulting, retirement plan consulting, and IRA rollovers.

#### **Financial Planning Services**

BPU adheres to a multi-step, continuous process in offering individualized financial planning services. We begin by gathering detailed financial information about you and your goals. After we’ve gathered all of the required information, our advisors in collaboration with our Certified Financial Planner™ Practitioners then analyze that data and evaluate your current financial condition. They develop recommendations that are peer reviewed by our financial planning committee before we present them to you. We assist you with implementing those recommendations and finally, through regularly scheduled reviews, we monitor your progress and adjust your plan as your life circumstances change.

#### **Investment Fiduciary Consulting**

Fiduciary Consulting may include; providing an assessment of investment practices, analyses of current investment strategy and holdings, asset allocation modeling, development of an investment policy statement and manager search selection, ongoing monitoring and review through quarterly investment committee meetings. In accordance with Center for Fiduciary Excellence (“CEFEX”) standards, all fiduciary consulting is completed by an Accredited Investment Fiduciary Analysts (AIFA) and CEFEX analysts.

#### **Retirement Plan Consulting**

BPU will work with plan sponsors and fiduciaries to establish the investment policies and objectives for the Plan and set forth the asset classes and investment categories to be offered under the Plan, as well as the criteria and standards for selecting and monitoring the investments. BPU will also prepare periodic reports to assist plan fiduciaries in monitoring the performance and overall fees and expenses against the guidelines set forth in the Investment Policy Statement.

As a registered investment advisor subject to Section 206 of the Advisers Act, BPU acts as a Fiduciary related to the conduct of its investment advisory services. As such BPU has an obligation to act in the best interest of its clients guided by the core fiduciary duties of loyalty and care. BPU will adhere and comply with the following Impartial Conduct Standards;

- (1) BPU will provide investment advice that is, at the time of the recommendation, in the Best Interest of the client. Such advice shall reflect the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a

- like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, based on the investment objectives, risk tolerance, financial circumstances, and needs of the client, without regard to the financial or other interests of BPU or any affiliate, related entity, or other party;
- (2) The recommended transaction will not cause BPU or their affiliates or related entities to receive, directly or indirectly, compensation for their services that is in excess of reasonable compensation within the meaning of ERISA section 408(b)(2) and Code section 4975(d)(2);
  - (3) Statements by BPU to the client about the recommended transaction, fees and compensation, Material Conflicts of Interest, and any other matters relevant to a client's investment decisions, will not be materially misleading at the time they are made.

## **Item 5: Fees and Compensation**

BPU is compensated for providing advisory services in the following ways:

- A percentage of assets under management
- Hourly Fees
- Fixed Fees

Advisory services and fees are specified in an advisory agreement between the client and BPU. Terms of such agreements may be negotiated on a case by case basis. Clients may select to deduct fees directly from the client's account or pay fees directly. Certain fees may be payable in advance or arrears as indicated by the advisory agreement. BPU does not require or solicit payment of fees in excess of \$1,200 more than six months in advance of services rendered. Upon termination of an advisory agreement, any unearned prepaid fees will be refunded to the client.

BPU charges investment management fees quarterly, in advance. Our investment management agreements remain in effect until either Party gives written notice to the other Party of its intention to terminate this Agreement. BPU or you may terminate your agreement, without penalty, upon at least 30 days written notice by either Party. Transactions in progress will be completed in the normal course of business. Upon 30 days written notice of termination, you will receive a pro-rata refund of that portion of any prepaid advisory fees that have yet to be earned by BPU. Your refund will be calculated from the date of receipt of the written termination notice or other agreed upon date.

### **A. Discretionary Accounts**

#### Portfolio Advisory Solutions ("PAS")

Portfolio advisory fees range between 0.50% and 1.5% of assets under management. Fees are billed quarterly in advance based on assets under management.

BPU uses a weighted fee schedule. For example, if a client has \$1,000,000 of investable assets and the weighted billing schedule is 1.5% for the first \$500,000 and 1.25% for the next \$500,000, the weighted billing rate of 1.38% would be applied. Although BPU has established the following schedule we retain

the right to negotiate alternative fee arrangements on a case by case basis. In addition, a flat fee of 0.35% are charged for a cash reserves model.

Aggregate Market Value of Assets Under Management Fee Table

\$0 to \$500,000	1.50%
\$500,001 to \$1,000,000	1.25%
\$1,000,001 to \$2,500,000	1.0%
\$2,500,001 to \$5,000,000	0.75%
\$5,000,001 or more	0.50%

While the fee schedule described above reflects fees for new clients, fees charged are entirely dependent on the agreement between BPU and the client. Clients' agreements may reflect a fee arrangement different than the schedule above.

Sub Advisory Relationships

Sub Advisor accounts are charged a fee that is for investment advice. The maximum fee for this service is 1.50% which is negotiable. In addition, clients may pay a separate management fee to the sub advisor.

Any refunds of the sub advisory program are at the discretion of the sub advisor. Fees may be charged either quarterly in advance or arrears.

Wrap Accounts

See Wrap Fee Brochure.

**B. Non-Discretionary Accounts**

Financial Planning Services

Financial planning fees are generally based on an hourly rate, ranging from \$150 to \$350 per hour. One-half of the estimated fee is due at inception and the remainder at the conclusion of the engagement. A flat fee can also be charged based on the client's agreement.

Investment Fiduciary Consulting

Investment fiduciary consulting fees are generally based on an hourly rate, ranging from \$150 to \$350 per hour, with a minimum fee of \$7,500. One-half of the estimated fee is due at inception and the remainder at the conclusion of the engagement.

Retirement Plan Consulting

Retirement plan consulting fees may be based on the asset size of the client or based on an hourly rate ranging from \$150 to \$350 per hour. One-half of the estimated fee is due at inception and the remainder at the conclusion of the engagement. A flat fee can also be charged based on the client's agreement.

**C. Other Advisor Fees**

All fees paid to BPU for investment advisory services are separate and distinct from the fees and expenses that may be charged by other advisors (including separate account managers, mutual funds and/or ETFs). These fees and expenses are described in the management agreement or prospectus. These fees will generally include a management fee and other fund expenses. Accordingly, the client

should review both the fees charged by other advisors and funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

#### Custodian and Brokerage Fees

In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer. Please refer to "Brokerage Practices" section (Item 12) for additional information.

#### Commissions and 12b-1 Fees

12b-1 fees are known in the securities industry as trailers and service fees. Mutual funds charge investors 12b-1 fees to cover fund distribution and/or shareholder service expenses pursuant to Section 12(b) of the Investment Company Act of 1940 and Rule 12b-1 thereunder, and pass these fees on to the fund's distributor, which passes some or all of them to broker-dealers and other intermediaries whose customers hold fund shares. BPU receives 12b-1 fees from mutual funds and/or mutual fund distributors. BPU does not receive these fees for all mutual fund share classes. Fees are only received for share classes that pay such fees. Clients should review the mutual fund prospectus to learn more about the fees and expenses related to the mutual funds BPU recommends. Not all share class pay 12b-1 fees. In certain instances, BPU may recommend a share class that pays 12b-1 fees rather than a cheaper alternative share class. Clients are hereby made aware that there may be a cheaper share class available that was not recommended by BPU. Additionally, Clients should consider the impact of transaction costs related to mutual fund purchases. Certain share classes have transaction related expenses and others do not have transaction fees. All of these additional fees and expenses will increase the overall investment cost to the Client.

The choice of share classes is a complex issue. Please discuss this with your BPU Advisor or BPU Compliance Officer to ensure that you understand the choices involved. Additional information on this topic is available by reading the investment prospectus and on websites maintained by the Securities and Exchange Commission ([www.sec.gov](http://www.sec.gov)) and the Financial Industry Regulatory Association ([www.FINRA.org](http://www.FINRA.org)).

BPU as a dually registered broker-dealer and/or its properly licensed employees receive brokerage commissions or mutual fund service fees (12b-1 fees) for certain transactions, as disclosed within prospectus. BPU employees licensed as broker-dealer registered representatives and/or licensed as insurance agents, in this separate capacity, are able to implement investment recommendations for advisory Clients and are compensated by commissions or other fees for certain transactions. This presents a conflict of interest to the extent that recommendations are made to Clients that result in additional compensation for BPU or the employee. Clients should be aware that the receipt of additional compensation, such as 12b-1 fees, presents a conflict of interest between BPU and the Client and could affect our advisory relationship, recommendations and advice.

Clients have the option to purchase investments and insurance products through other advisers. When the Client has provided written authorization that gives BPU trading discretion for an account BPU will not contact the Client prior to implementation of transactions. When the Client has selected a financial planning or non-discretionary management service the Client is not obligated to engage BPU when implementing advisory recommendations. In cases where the Client has selected non-discretionary management, the implementation of any or all recommendations is solely at the discretion of the Client.

BPU has entered into an arrangement with Fidelity Brokerage Services, LLC ("FBS") whereby we are paid a percentage of the 12b-1 fees (Non ERISA accounts) received by FBS as it relates to shares of eligible mutual funds held in BPU's client accounts. As a result, BPU has an incentive to invest client assets in mutual funds for which it receives this additional compensation. However, BPU shall maintain its fiduciary duty of best execution by selecting the most appropriate share class available, which may or may not be the lowest-price share class available. Moreover, BPU shall maintain its fiduciary duty by recommending money managers that it deems appropriate and suitable for its clients. In addition, BPU's due diligence process when selecting money managers includes complying with the standard set by the Center for Fiduciary Studies recommendation in that an investment product not be in the bottom quartile of expenses (including any 12b-1 fees) relative to its peers. Further information regarding 12b-1 fees may be found in the respective mutual funds' prospectuses.

BPU does not receive any 12b-1 remuneration on ERISA Accounts.

Please refer to "Brokerage Practices" section (Item 12) and "Other Financial Industry Activities and Affiliations" (Item 10) for additional information.

## **Item 6: Performance Based Fees**

BPU does not charge any performance fees.

## **Item 7: Types of Clients**

BPU provides asset management and advisory services to individuals, high net worth individuals, trusts, non-profit organizations, retirement plans, corporations, other businesses and institutions.

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

BPU makes use of Modern Portfolio Theory techniques to provide investment management services to clients. We adhere to the following process when providing these investment services:

- Analyze client's current investment position
- Design optimal portfolio(s)
- Formalize a written investment policy statement
- Select investment managers to implement the policy
- Monitor investment results
- Periodic rebalancing back to target allocations

BPU manages portfolios in house, each with its own methods of analysis, investment strategies and risks. BPU may also enter into a sub-advisor relationship, wherein BPU will hire a non-affiliated manager under a traditional advisory service platform.

### Investment Management Philosophy for PAS Program

The Modern Portfolio Theory principles of asset class and security diversification guide our investment management process. The process uses various statistical methods of asset class analysis. This approach attempts to classify, quantify and manage both the type and amount of investment risk in a portfolio. It

shifts the emphasis onto overall portfolio composition and behavior rather than on that of any single security.

The “Efficient Market Hypothesis” is the foundation for this focus shift. We concede that, in an efficient market, individual security prices adjust rapidly based on the amount of information available to investors. Because of this, we also believe that most traditional securities analysts are not able to use either fundamental or technical analysis techniques to “outsmart” an efficient market and achieve consistently superior returns.

In recognition of the Efficient Market Hypothesis and in an attempt to understand and manage risk, Modern Portfolio Theory addresses two broad forms of investment risk, systematic and nonsystematic. Systematic risk is that risk which is common to all stocks and bonds within a particular market. Known more commonly as “market risk,” systematic risk is the tendency for security prices to rise or fall in concert with the broad market.

Nonsystematic risk is company or industry specific risk. Strikes, natural disasters, product recalls or takeover bids may cause the price of a stock to decline even in a broadly rising market. This helps to explain why the more diversified an investor’s portfolio, the less subject it is to nonsystematic risk.

BPU’s disciplined investment process recognizes and seeks to reduce both types of risk. With respect to managing systematic or market risk, we invest each client’s portfolio in multiple asset classes, that is to say, multiple markets. These asset classes include, but are not limited to money markets, domestic bonds, foreign bonds, domestic stocks, foreign stocks and alternative investments. We further diversify fixed income allocations by incorporating varying credit qualities and maturities. For equities, we also diversify by market capitalization and may employ both growth and value investment styles – all in the hope of pairing asset classes that exhibit differing behavior in the same economic environment.

In implementing each selected asset class, BPU seeks to reduce the nonsystematic form of risk by diversifying the securities within each asset class. To do this, we use broadly diversified index funds and/or ETF’s concurrent with professionally managed mutual funds and/or separately or individually managed accounts. In this way, we seek to cost effectively manage both systematic and nonsystematic risk by diversifying both asset classes and the individual securities within each asset class.

Finally, portfolio construction is driven by understanding your clearly articulated goals and objectives in the context of your time horizon, risk tolerance, expectation of return, asset class preferences and/or restrictions and tax status. BPU translates this into an investment policy statement that serves as the written business plan for each investment strategy.

#### Portfolio Manager Selection and Evaluation

For non-discretionary clients, BPU will work with to develop an appropriate selection of Investment Manager(s) that BPU believes best meet(s) the client’s goals and investment objectives, and will assist clients in the appropriate selection of Investment Managers in line with the recommended asset allocation. Recommendations are based upon the information gathered in developing an investment policy for the client. BPU will review the client’s investment objectives and goals, net worth, current income, future income needs, liquidity needs, risk tolerances, tax considerations, and other specific items communicated by the client (collectively, “Investment Considerations”). Then the portfolio’s current investment structure is reviewed by BPU. An assessment is made based upon economic and market conditions and the investment considerations. A recommendation as to the client’s appropriate

asset mix may be developed based on BPU's assessment of the information provided by the client. In order for BPU to properly monitor the asset allocation and Investment Managers selected, clients must promptly inform BPU in writing if their information changes.

Various Investment Manger styles and strategies are made available to clients. Investment Managers are selected through a detailed assessment of their investment philosophy, style, and methodology. Investment Managers will be assessed and chosen independently by BPU in accordance with the criteria herein.

BPU employs a multi-step process in screening Managers to determine if the Managers are suitable for BPU's program. After the above parameters have been satisfied, the review continues and includes, but is not limited to, conducting a general review of the organization (history, ownership, employees, etc.), gaining an understanding of the Investment Manager's investment process, asset allocation strategies, and reviewing the Investment Manager's Form ADV, Item 1A, 2A and 2B disclosures. BPU then verifies the information provided by comparing it to other data from publicly available data collection sources. BPU may further verify the information provided by employing quantitative and qualitative screens as well as attribution analysis and risk analysis.

BPU relies on information obtained from the following sources to reach its conclusions regarding each Manager:

- Manager's prospectus, Form ADV and or accompanying documents;
- Manager's website and other publicly-available information;
- SEC website;
- BPU's meetings with Manager's personnel; and
- External, commercially available databases.

Replacement Investment Managers may be recommended for various reasons such as, among other things, portfolio management inconsistent with an Investment Manager's stated style and philosophy, significant performance variances from the stated benchmark over a market cycle, a departure of a key employee from an Investment Manager who was integral to the Investment Manager's performance record, and/or serious regulatory problems or compliance issues.

A breakdown of BPU Sponsored Wrap Fee Programs is provided in the Wrap Fee Brochure, with indications of whether the manager is affiliated with BPU, modeled or non-modeled, discretionary or non-discretionary.

All BPU managed portfolios allow for Investment Committee customization within each strategy for each of the portfolios listed.

#### Primary Investment Vehicles and Risks

Mutual funds and exchange traded funds own underlying securities that may be exposed to loss of principal due to adverse market conditions. Foreign securities in mutual funds may also expose your portfolio to potential loss due to currency risk.

Asset allocation, diversification and rebalancing do not assure a positive return or protection against loss.

Investments in Bonds or Fixed Income are subject to interest rate risk. Bond prices generally fall when interest rates rise. All bonds, excluding US Treasuries, have a risk of default. Non-Domestic bonds and High Yield bonds generally carry a greater risk due to the nature of the issuers. Non-Domestic bonds are subject to economic, political and currency risk and may experience a greater degree of market volatility. High Yield bonds are speculative, have a higher risk of default or are already in default, tend to be less liquid and are more difficult to value than higher grade securities. These bonds tend to be more volatile and more susceptible to adverse events and negative sentiments. Investments in Small and/or Mid Cap companies generally carry a great risk and may experience a greater degree of market volatility.

Investments in Global or International securities are subject to economic, political and currency risk and may experience a greater degree of market volatility.

Long/Short and Market Neutral investments are unique and complex strategies designed to “neutralize,” or limit, the effect of stock market movement on returns. Because of this, return is often uncorrelated to that of the stock market. Strategies involve long- and short-selling and carry specific risks not found in traditional investments.

Real estate investments may be subject to a higher degree of market risk because of concentration in a specific industry, sector or geographical region. Real estate investments may be subject to risks including, but not limited to, declines in the value of real estate, risks related to general and economic conditions, changes in the value of the underlying property owned by the trust and defaults by borrower.

Writing and purchasing call and put options are highly specialized activities and have greater than ordinary investment risks. The successful use of options depends on the future price fluctuations of the underlying reference security. Values may fluctuate, and you may lose all of the cash paid for purchasing and could be at risk of losing the underlying stock if used to cover.

Investments in commodities may have greater volatility than investments in traditional securities, particularly if the instruments involve leverage. The value of the investments are subject to changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments. Use of leveraged commodity-linked derivatives creates an opportunity for increased return but at the same time, creates the possibility for greater loss.

## **Item 9: Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client’s or investor’s evaluation of the adviser or the integrity of the adviser’s management. This section contains information on certain legal and regulatory matters affecting BPU.

On or about June 18, 2008, a statement of claims was filed by the estate of a deceased customer against 20 Member, Non-Member, and associated persons, 12 of which were related to or affiliated with BPU (the “BPU Respondents”). In support thereof, Claimant alleged a number of grounds of wrongful

conduct arising from the sale of high risk securities and investments to the decedent without properly determining his risk tolerances and investment objectives. Claimant further alleged that the adviser employee of the BPU Respondents negligently handled the decedent's accounts, causing him to sustain monetary losses and adverse tax consequences. On or about July 15, 2008 an award was entered jointly and severally in favor of the claimant and against all but one BPU Respondent in the Amount of \$187,000. In addition, an award was entered against the adviser individually in the amount of \$62,500. Claimant's request for punitive and treble damages, and for counsel fees was specifically denied with prejudice.

On August 4, 2009, Mr. Nadav Baum, Executive Vice President and Financial Adviser for BPU, submitted a Letter of Acceptance, Waiver and Consent for the purpose of settlement of alleged rule violations brought by FINRA. Alleged violations related to trading violations during Baum's employment with Citibank. Without admitting or denying the allegations, Mr. Baum consented to the described sanctions and to the entry of findings. As a result, Mr. Baum was fined \$15,000 and suspended from September 8, 2009 through October 7, 2009. The findings stated that Nadav Baum engaged in discretionary trading without written authorization in a deceased customer's account and discretionary trading without written authorization in other customers' accounts. As of May 2016, Nadav Baum is no longer an Adviser for BPU.

On or about October 24, 2012, BPU submitted a Letter of Acceptance, Waiver and Consent for the purpose of settlement of alleged rule violations brought by FINRA. FINRA alleged that BPU, acting through its Chief Compliance Officer, Rick Pierchalski, allowed an associated person to perform certain functions requiring principal registration without being registered in that capacity; created an inaccurate record relating to an Anti-Money Laundering test; and failed to implement policies and procedures reasonably designed to detect and cause the reporting of suspicious transactions. Without admitting or denying the findings, BPU was censured and fined \$25,000, Pierchalski was fined \$5,000 individually and \$10,000 joint-and-severally with BPU. In addition, Pierchalski was suspended from November 19, 2012 through February 18, 2013. As of April 2013, Rick Pierchalski is no longer an Adviser for BPU.

Customer complaints and a regulatory action were instituted against Nadav Baum, a registered agent of BPU, which required notification directly to the New Jersey Bureau of Securities ("Bureau"). The complaints and regulatory action were not reported to the Bureau as required by the agent's heightened supervisory agreement. The agreement states that "[f]ailure to comply with this agreement shall be deemed to be a violation of N.J.A.C. 13:47A-14.16, which entitles the Bureau to impose sanctions. On May 11, 2017, BPU signed a consent order in which the firm agreed that it failed to make required reports to the Bureau and agreed to cease and desist from further violations of the Uniform Securities Law and to pay a civil monetary penalty in the amount of \$15,000, due in installments, with the final payment due on or before June 9, 2017. Nadav Baum is no longer an employee of BPU.

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

Client should be aware that the receipt of additional compensation by BPU, its employees and related Parties creates a conflict of interest that may impair the objectivity of our firm and employees when making recommendations. While BPU does not currently receive compensation from other investment advisers, BPU endeavors at all times to put the interest of its clients first consistent with our fiduciary duty and will take the following steps to address this conflict if it presents itself:

- Disclose to clients the existence of all material conflicts of interest, including the potential for our firm and our employees to earn compensation from advisory clients in addition to our advisory fees;
- Disclose the capacity in which BPU or associates are acting in the transaction and whether any compensation is to be earned by the owners or associates;
- Disclose any interest that BPU or associates have in the transaction which may be adverse to your interest;
- Clients are not obligated to purchase recommended investment products from our firm or related parties;
- BPU conducts regular reviews of client accounts and activities to verify that recommendations made clients are suitable;
- Employees are required to seek approval of outside business activities; and
- We educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

#### Affiliated Broker-Dealer

BPU is registered as a broker-dealer with the SEC and is a member of FINRA. BPU is an introducing broker-dealer that clears transactions on a fully disclosed basis through Royal Bank of Canada (“RBC”). Certain employees of the firm are also registered representatives of BPU. BPU may receive brokerage commissions or mutual fund service fees (12b-1 fees). This is a potential conflict of interest and could cause BPU or its representatives to recommend investments based on the additional compensation they received.

#### Insurance Agents

The principals and other employees of BPU are also licensed agents for various insurance companies. In such capacity they may recommend insurance products and receive separate, yet customary compensation. BPU also maintains a relationship with various insurance brokerage firms who provide insurance solutions for our advisors and our clients. Transactions placed through these firms will result in a portion of the commission being paid to BPU.

Please refer to “Brokerage Practices” section (Item 12) and “Fees and Compensation” (Item 5) for additional information.

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

BPU has adopted a Code of Ethics (“Code”) pursuant to Rule 204A-1 under the Investment Advisers Act of 1940 and is predicated on the principal that BPU owes a fiduciary duty to its clients. Accordingly, employees of BPU must avoid activities, interests and relationships that run contrary (or appear to run contrary) to the best interest of clients. Therefore, BPU endeavors to maintain current and accurate records of all personal securities accounts of its employees in an effort to monitor all such activity. The Code addresses a variety of topics relating to the appropriate conduct of investment advisory personnel, among other things, that employees:

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets;
- Place the integrity of the investment profession, the interests of clients, and the interests of the Company above one's own personal interests;
- Adhere to the fundamental standard that you should not take inappropriate advantage of your position;
- Avoid or disclose any actual or potential conflict of interest;
- Conduct all personal securities transactions in a manner consistent with this policy;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities;
- Practice and encourage others to practice in a professional and ethical manner that will reflect credit on yourself and the profession;
- Promote the integrity of, and uphold the rules governing, capital markets;
- Maintain and improve your professional competence and strive to maintain and improve the competence of other investment professionals.
- Comply with applicable provisions of the federal securities laws.

The Company's Code of Ethics also requires Employees to: 1) pre-clear transactions in IPOs and private offerings, 2) report personal securities transactions on at least a quarterly basis, and 3) provide the Company with a detailed summary of securities holdings (both initially upon commencement of employment and annually thereafter).

BPU and/or its related persons may buy or sell the same securities recommended to clients. They may buy or sell these securities about the same time as they are recommended to clients or at different times. The firm monitors personal securities transactions for the possibility of a conflict of interest. If a conflict is identified the client's interest will prevail. It is the policy of the Company that priority will always be given to the client's orders over the orders of an employee of the Company.

A copy of the Company's Code of Ethics shall be provided to any client or prospective client upon request.

## **Item 12: Brokerage Practices**

Clients select the broker-dealer for their accounts. BPU does not have discretion to select broker-dealers for clients. BPU may recommend and clients may elect to use BPU as the broker-dealer for their advisory account. BPU may also recommend other broker-dealers including Fidelity Brokerage Services, Charles Schwab and others. Factors which BPU considers in recommending brokers to clients include their respective financial strength, reputation, execution, pricing, research capability, services provided, expertise, product availability, and/or access to certain investment managers or strategies. Generally, the recommended custodians enable BPU to obtain many mutual funds, ETF's and individual securities without transaction charges or with nominal transaction charges. The commissions, transaction fees, and/or internal fees charged by recommended custodians may be higher or lower than those charged by other Financial Institutions.

For certain wrap programs, you will be required to establish your account with a particular custodian. BPU has an arrangement with a variety of custodians including: Fidelity Brokerage Services LLC, RBC, Charles Schwab, and SEI (collectively, and together with all affiliates, "custodians"), through which they provide BPU with "institutional platform services." The institutional platform services include, among others, brokerage, custody, and other related services

#### Affiliated Broker-Dealer

As described in Item 5 and Item 10 of this brochure, BPU is a registered broker-dealer. The firm and its employees, in their separate capacity as registered representatives, can affect securities transactions for which they may receive additional compensation.

#### Broker Dealers and Custodians

BPU may recommend that client establish brokerage accounts with certain broker-dealers. In addition to our affiliated broker-dealer, BPU has established relationships with Fidelity Brokerage Services ("FBS"), Charles Schwab & CO., Inc. ("Schwab") and other brokers. Brokers and custodians ("Custodians") provide BPU with access to their institutional trading and custody services, which are typically not available to retail investors. These services are generally available to investment advisers at no charge to them so long as a minimum amount of business (assets in custody) is transacted with the Custodian. Custodian brokerage services include the execution of securities transactions, custody, research and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment. Custodians also provide BPU with proprietary and third-party research and other products and services (i.e. receipt of duplicate trade confirmations and account statements, trading desk access, pricing information and other market data, the ability to aggregate clients' securities transactions, the ability to directly debit advisor fees from clients' accounts, and receipt of compliance publications. Our custodians also provide BPU with information and consulting services intended to help BPU manage and further develop its advisory practice. These services may include information technology consulting and marketing consulting, which involves plan/program development, execution, reviews, performance reporting, financial planning, contact management systems, publications, access to educational conferences, roundtables and webinars, practice management resources, access to consultants and other third party service providers who provide a wide array of business related services and technology with whom BPU may contract directly.

Custodians are generally compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through a Custodian or settle into Custodian accounts.

Custodians also make available to our firm other products and services that benefit BPU but may not directly benefit our clients' accounts. Many of these products and services may be used to service all or some substantial number of our client accounts, including accounts not maintained at the Custodian providing the service. Custodian products and services that assist us in managing and administering our clients' accounts include software and other technology that:

- Provide access to client account data (such as trade confirmations and account statements);
- Facilitate trade execution and trade orders for multiple client accounts;
- Provide research, pricing and other market data;
- Assist with back-office functions, recordkeeping and client reporting.

Custodians also offer other services intended to help us manage and further develop our business enterprise. These services may include:

- Compliance, regulatory and business consulting;
- Publications and conferences on practice management and business succession; and
- Access to employee benefits providers, human capital consultants and insurance providers.

Custodians may make available, arrange and/or pay third-party vendors for the types of services rendered to BPU. Custodians may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to our firm. Custodians may also provide other benefits such as educational events or occasional business entertainment of our personnel. In evaluating whether to recommend that clients custody their assets at a particular Custodian, we may take into account the availability of some of the foregoing products and services and other arrangements as Item of the total mix of factors we consider and not solely on the nature, cost or quality of custody and brokerage services provided by a Custodian, which may create a potential conflict of interest.

BPU may also receive other economic benefits in the form of monetary support for client appreciation dinners, client seminars, educational conferences and meetings and related materials sponsored by various Financial Institutions, including but not limited to custodians, broker-dealers, mutual funds, insurance and annuity companies and other vendors. Employees of BPU may travel for on-site visits with investment managers. The investment management companies, for the benefit of brokers, securities analysts, institutional investors and investment advisers, host these meetings. Typically, the mutual fund or investment management company pays the travel and lodging expense. The investment products of these companies are either currently used in client portfolios or are under consideration by BPU. This is a potential conflict in that financial advisors may be incentivized by these meetings to recommend those products. BPU seeks to mitigate this potential conflict through its manager screening process and by requiring all travel and entertainment costs to be reported and monitored by compliance for lavish or otherwise extravagant items. BPU's screening process of managers may include, but is not limited to, review of written due diligence questionnaires, telephone conversations and/or face-to-face meetings with analysts and/or portfolio managers. Meetings focus on investment committee composition, the hierarchy of decision-making, investment style, portfolio design, and buy-sell discipline.

BPU may also receive monetary support and business development allowances for technology, investment research, marketing and advertising from these entities, as well as monetary support and/or guest speakers for client events. Clients are advised that a potential conflict of interest exists to the extent that BPU recommends products from these Financial Institutions or other vendors. However, the client is under no obligation to purchase these products, and BPU does not receive any other form of compensation from Financial Institutions and/or vendor for these matters other than as set forth herein.

#### Soft Dollar Arrangements

BPU does not currently maintain any formal soft dollar arrangements.

#### Brokerage for Client Referrals

BPU does not recommend broker-dealers to clients based on our interest in receiving client referrals.

#### Directed Brokerage

BPU does not require or permit clients to have directed brokerage arrangements.

### Trade Allocation and Aggregation

Transactions for each client generally will be effected independently, unless BPU decides to purchase or sell the same securities for several clients at approximately the same time. BPU may (but is not obligated to) combine or "batch" such orders. Under this procedure, transactions will generally be averaged as to price and allocated among BPU's clients pro-rata to the purchase and sale orders placed for each client on any given day. To the extent that BPU determines to aggregate client orders for the purchase or sale of securities, including securities in which BPU's Supervised Persons may invest, BPU shall generally do so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. In the event that BPU determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors.

### **Item 13: Review of Accounts**

For PAS clients, accounts will be reviewed on an ongoing basis, generally quarterly, at the time performance analyses are completed. For financial planning clients, accounts are reviewed periodically, as needed by the client.

We request our clients to inform BPU and their financial advisor, at least annually, of any changes in their financial condition or of any additional investment restrictions and/or modifications to existing investment restrictions our client wishes to impose. BPU immediately forwards to the program managers any responses, which would impact the daily management of the client portfolio. While there are no restrictions on the ability of our clients to contact and consult with the portfolio managers, it is generally preferred that they do so through, or together with, his or her financial advisor.

Our clients may elect to change investments or portfolio manager at any time. Should financial circumstances change or economic or market conditions change, to the extent that BPU feels that a change is advisable, BPU may recommend a change or changes to clients' portfolio(s). If in BPU's opinion, the investments or portfolio manager selected can no longer meet the client's investment objectives or manage according to certain investment style parameters, BPU may recommend a change or changes to clients' portfolios. If there is a fundamental change in the management or in the portfolio manager of the recommended investment, BPU may recommend a change or changes in the client's portfolio(s).

The performance of the investment selections in the portfolio will be monitored on an ongoing basis; and, depending on the platform, it is BPU's discretion whether and when to take corrective action.

BPU has no discretion to change the client's investment program or model. Should client agree with the financial advisors recommendation to make a model or program change, a written authorization must be obtained.

### **Item 14: Client Referrals and Other Compensation**

While BPU generally does not compensate persons for client referrals, there are limited circumstances where a client is introduced to BPU by a solicitor. In this instance, BPU may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and

any corresponding state securities law requirements. Any such referral fee shall be paid solely from BPU's investment management fee and shall not result in any additional charge to the client. If the client is introduced to BPU by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall provide a written statement disclosing the terms of the solicitation arrangement between BPU and the solicitor, including the compensation to be received by the solicitor from BPU. In addition, the solicitor shall provide each prospective client with a copy of BPU's Brochure.

## **Item 15: Custody**

BPU does not maintain physical custody of client funds or securities; however, under SEC Rule 206(4)-2, BPU is deemed to have custody of certain client assets due to (i) BPU's ability to deduct fees directly from certain client accounts, and/or (ii) BPU's imputed role as trustee for limited client accounts, and/or (iii) BPU's possession of limited client credit card information for the purpose of debiting/charging accounts to pay advisory fees.

All clients are directed to use a qualified custodian (RBC, Fidelity, Schwab, or SEI). At least quarterly, the custodian provides clients with account statements containing information including, but not limited to, the following: type, name, price per share and number of shares owned for each security. BPU encourages each client to review these custodial statements and to compare any reports they receive from BPU.

For accounts where BPU is deemed to have custody for reasons other than fee deduction, the firm undergoes an annual surprise examination by an independent public accountant to verify client assets.

BPU is also deemed to have custody of client funds because certain clients have executed standing letters of authorization ("SLOA") for distributions. BPU has implemented procedures to meet the specific conditions as stated in the SEC's SLOA no action letter under which the obligation to obtain a surprise examination is waived.

## **Item 16: Investment Discretion**

BPU will accept discretionary authority to manage securities on behalf of clients. Discretion is limited to implementing portfolio strategy in accordance with the client's Investment Policy Statement via written agreement between the client and their advisor. Each platform has different paperwork and procedures, from a limited power of attorney to a discretionary trading agreement executed through the custodian's new account paperwork. Please see Appendix I for BPU Sponsored Wrap Fee Programs.

Clients may impose limited restrictions on BPU's discretionary trading authority.

## **Item 17: Voting Client Securities**

In accordance with its fiduciary duty to clients and Rule 206(4)-6 of the Advisers Act, BPU has adopted and implemented written policies and procedures governing the voting of client securities. BPU does not vote client securities. Client shall in no way be precluded from contacting BPU for advice or information about a particular proxy vote. However, we shall not be deemed to have proxy voting authority solely as a result of providing such advice to Client.

Should BPU inadvertently receive proxy information for a security held in Client's account, then we will make a good faith effort to forward such information on to Client within a reasonable timeframe, but will not take any further action with respect to the voting of such proxy.

### **Item 18: Financial Information**

A balance sheet is not required to be provided as BPU (i) does not solicit fees more than six months in advance, (ii) does not have a financial condition that is likely to impair its ability to meet contractual commitments to clients or (iii) has not been subject to any bankruptcy proceeding during the past 10 years.