



QCI Asset Management, Inc.
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March 31, 2018

Form ADV Part 2A

Item 1 - Cover Page

Form ADV, Part 2A, our "Disclosure Brochure" or "Brochure" as required by the Investment Advisers Act of 1940 is a very important document between Clients (you, your) and QCI Asset Management, Inc. (we, us, our, the "Firm").

This Brochure provides information about the qualifications and business practices of the Firm. If you have any questions about the contents of this Brochure, please contact us at (585) 218-2060 or by email at: dkhalil@e-qci.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any State Securities Authority.

Additional information about the Firm is also available at the SEC's investment adviser's public disclosure website www.adviserinfo.sec.gov (click on the link, select "investment adviser firm" and type in our Firm name). Results will provide you both Part 1 and 2 of our Form ADV.

We are a registered investment adviser with the Securities and Exchange Commission. Our registration as an Investment Adviser does not imply a certain level of skill or training. The oral and written communications we provide to you, including this Brochure, are information you can use to evaluate us. These communications are factors you can use in your decision to hire us or to continue to maintain a mutually beneficial relationship with us.

Item 2 - Material Changes

- 1. We discuss below only material changes which we believe are important in terms of disclosure since the Firm's last filing of our Form ADV Part 2A Brochure on March 31, 2017, which was our annual amendment filed on the SEC's Investment Advisers Public Disclosure Website (IAPD), www.adviserinfo.sec.gov.
2. On October 1, 2017, a change in ownership occurred when Gerald Furciniti purchased shares in QCI Asset Management, Inc. please refer to Item 4A on page 2 for a listing of company shareholders.

- 3. We may, at any time, update this Brochure, which you can download from the above SEC Website. You may contact Julie Bohrer at (585)218-2060 or jbohrer@e-qci.com, regarding any questions you have about the brochure or its context.

Item 3 - Table of Contents

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## Item 4A – Description of Firm

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Founded in 1975, QCI Asset Management, Inc. (QCI) is an independent, employee owned SEC Registered Investment advisor offering fee-based investment management and consulting services for individuals, trusts, pension and retirement plans, corporations, higher education and other non-profit clients. The firm's only headquarters are located in the village of Pittsford, New York.

Advice is provided through consultation with the client and may include: determination of financial objectives, identification of financial problems, cash flow management, tax planning, insurance review, investment management, education funding, retirement planning, and estate planning.

QCI Asset Management, Inc. also provides investment advisory services under an investment advisory contract to an investment company registered under the Investment Company Act of 1940. Through the advisory contract, QCI Asset Management, Inc. is the investment manager for the QCI Balanced Mutual Fund (QCIBX).

QCI Asset Management, Inc. is strictly a fee-only investment management firm. The firm does not sell annuities, insurance, stocks, bonds, mutual funds, limited partnerships, or other commissioned products. The firm is not affiliated with entities that sell financial products or securities. No commissions in any form are accepted.

As of 2/28/18, QCI Asset Management, Inc. managed approximately \$3,243,230,728.00 in assets for approximately 1,156 clients. Approximately \$1,949,218,977.00 is managed on a discretionary basis, and \$1,294,011,751.00 is managed on a non-discretionary basis.

The principals of the firm are H. Edward Shill II who owns 80%, David F. Khalil who owns 15%, and Gerald Furciniti who owns 5%.

## Item 4B – Description of Advisory Services

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### 1. Separately Managed Accounts

QCI Asset Management, Inc. provides individualized investment advisory services for separately managed accounts on a discretionary basis, subject to specific individual client investment objectives and constraints.

Advice is provided through individual consultation with each client where investment objectives, tolerance for risk and constraints are determined. An investment strategy is then developed and executed on a fully discretionary basis based upon these criteria.

Investment guidelines are documented for all clients and reflect stated goals and objectives. Clients may impose restrictions on investing in certain securities or types of securities.

For separately managed accounts QCI Asset Management Inc. offers large cap equity investment management, fixed income investment management, balanced (stock/bond blend) investment management, multi-capitalization global investment management, and cash investment services.

Clients assets are invested in investment vehicles that may include: equities (stocks), initial public offering(IPO's), warrants, corporate debt securities, commercial paper, certificate of deposit,

municipal securities, U.S. Government securities, option contracts, no load mutual funds, exchange traded funds (ETF's), interests in partnerships.

QCI charges an annual management fee for investment management services. This fee is based on a percentage of investment assets under management.

### 2. Fiduciary Consulting Services

QCI Asset Management, Inc. offers a fiduciary consulting service that focuses on all major components of a healthy trustee sponsored employee retirement plan, addressing operations, sponsor and trustee reasonability, and compliance.

Our services include a detailed review of all plan components and operations. QCI then identifies opportunities for improvement and implements specific solutions in areas including the following:

- Plan document and summary plan description
- Operational procedures
- Investment policy statement
- Due diligence, analysis, selection and on going monitoring of plan service providers.
- Plan participant education
- Overall plan costs.

### 3. Venture Capital Distributions Services

QCI Asset Management, Inc. offers a Venture Distribution Service under which QCI Asset Management, Inc. manages in-kind distributions from venture capital limited partnerships for clients. Distributions are generally recently public common stocks that have successfully conducted their IPO's. The general partners of venture capital limited partnerships may elect to distribute these public security positions to their limited partners as a means of returning capital back to the limited partners. Distributed common stock positions are often restricted relative to their trading by SEC rule 144 or 145. QCI's role is to determine the time and /or price that would be optimal for selling distributed stock positions, and/or complete those sales (and any associated filings with the SEC) accordingly.

### 4. Financial Planning Services

On more than an occasional basis, QCI Asset Management, Inc. furnishes advice to clients on matters not involving securities, such as financial planning matters, identification of financial problems, cash flow management, taxation issues, insurance review, education funding, retirement planning and estate planning.

## 5. Investment Advisory Services to a registered investment company

QCI Asset Management, Inc. also provides investment advisory services under an investment advisory contract to an investment company registered under the Investment Company Act of 1940. Through the advisory contract, QCI Asset Management, Inc. is the investment manager for the QCI Balanced Mutual Fund (QCIBX).

The Fund seeks to balance current income and principal conservation with the opportunity for long-term growth. QCI Asset Management, Inc. (the "Advisor") seeks to achieve the Fund's investment objective by investing in a diverse portfolio of corporate, agency, and U.S. Government fixed income securities, preferred stock, common stock of primarily large and mid-capitalization issuers, and derivative securities. Allocation to equity and fixed income securities will range from 25% to 75% of assets. Depending on market conditions, the allocation of the Fund's assets may range from approximately 25% in equity securities and 75% in fixed income securities to 75% in equity securities and 25% in fixed income securities. Derivative instruments, consisting of option contracts, are used to hedge the Fund's portfolio in order to reduce the impact of general market fluctuations. The Fund may invest in these securities directly or indirectly through investments in other investment companies, consisting of exchange traded funds ("ETFs") and index funds. The Fund will not be limited by market capitalization or sector criteria. The Fund may hold up to 10% of its net assets in cash in the normal course of business when the Fund receives dividends or distributions and has not reinvested the proceeds in a security the Advisor believes is favorable for the portfolio which may also be used to pay fees and expenses of the Fund.

Equity selection is based on securities analysts' recommendations coupled with the Advisor's fundamental research. The Advisor's research methodology focuses on "bottom-up" analysis of each company and issuer, reviewing specific factors such as relative valuation to other securities or sectors; financial fundamentals and relative strength; recent and historical earnings growth results; sustainable competitive advantage within markets or sectors; and strategic positioning of the company or issuer relative to its peers. The Advisor also examines "top-down" sector and industry cyclical trends. Equity investments will consist primarily of large and mid-capitalization companies.

Fixed income securities will primarily consist of investment grade issues. The Fund may invest up to 10% of the portfolio in fixed income securities that are rated below investment grade by one or more Nationally Recognized Securities Rating Organizations ("NRSROs") (commonly known as high-yield debt securities).

Securities are sold when, in our view market valuation has approached the estimated full or fair market valuation of that security, and the remaining predicted small upside potential does not justify continuing to hold that security due to relative downside risk. A fundamental change in the prospects for a particular security or issuer may also be a primary factor for the Advisor in determining whether to sell a portfolio security.

## **Item 5 – Fees and Compensation**

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### 1A. Fees-separately managed accounts

Separately Managed Account clients of QCI Asset Management, Inc. execute an Investment Management Agreement where the assets of the client are invested and managed on a discretionary basis. QCI Asset Management, Inc. offers a large cap equity investment management service, a balanced (stock/bond blend) investment management service, a fixed income investment management service, a multi-cap global investment management service and a cash management service.

QCI shall receive from the Client an annual Service Fee that is based on a percentage of the investable assets under management.

The amount of the annual Service Fee for account(s) under \$300,000 is one and one-half percent (1.5%) of the value of the account(s).

The amount of the annual Service Fee for account(s) over \$300,000 shall be the sum of one percent (1%) of the first \$1,000,000 of the value of the account(s) plus three quarters of one percent (3/4%) of the value of the account(s) above \$1,000,000.

The billing value of the account(s) shall be the fair market value determined in good faith by QCI as of the account starting date and thereafter as of the last day of the second month of the quarter prior to that for which the billing is to be made. In the case of multiple Accounts, the billing value shall be the fair market value of the combined Accounts.

For its Cash Management service, applicant's standard annual service fee is the greater of \$2,000 or the sum of one-quarter of one percent of the value of the Account. The annual service fee is payable monthly in arrears. The value of the Account is based on the Account's average daily balance in the previous month.

Client assets are invested in investment vehicles that may include: equities (stocks), warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, U.S. Government securities, option contracts and interests in partnerships.

QCI Asset Management, Inc. will also invest in Exchange Traded Fund securities (ETFs) and no-load mutual funds for its clients. In cases where these types of securities are held, clients are paying two advisory fees. Clients pay the standard quarterly fee on the market value of total assets under QCI's management which includes the assets invested in mutual funds and/or ETFs. Clients also pay an advisory fee to the investment advisor of the mutual funds and/or ETFs based upon the amount of the client's investment in these securities.

Also, Client monies that are un-invested cash balances that are swept into money market funds at their custodian/broker-dealer are paying two advisory fees.

Clients pay the standard quarterly fee on the market value of total assets under QCI's management which includes the assets invested in the money market funds. Clients also pay an advisory fee to the investment advisor of the money market fund based upon the amount of the client's investment in the fund.

Investment management fees are billed quarterly, in *ADVANCE*, meaning that we invoice the client *BEFORE*

#### 1A. Fees separately managed accounts (continued)

the three-month billing period has *BEGUN*. Payment in full is expected upon invoice presentation. Fees are usually deducted from a designated client account to facilitate billing. The client must consent in advance to direct debiting of their investment account.

QCI Asset Management, Inc., in its sole discretion, may waive its minimum fee and/or charge a lesser investment advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with clients, etc.).

Fees are *NEGOTIABLE*.

Although these service agreements are ongoing agreements and adjustments are sometimes required, the client or the investment manager may terminate an agreement at any time upon 30 days written notice to the other party. At termination, fees will be rebated on a pro rata basis for the portion of the quarter not completed. The portfolio value at the completion of the prior full billing quarter is used as the basis for the fee computation, adjusted for the number of days during the billing quarter prior to termination.

#### 1B. Other fees and expenses with separately managed accounts

**Custodian Fee:** Custodians usually charge a custodian fee for custodial services provided. These fees are normally based on a percentage of assets held under custody. Custodial fees are normally billed quarterly, in arrears. Fees are usually deducted directly from the client account and go directly to the custodian in payment for their service.

**Transaction Costs:** When performing investment management services, QCI Asset Management, Inc. normally purchases and sells investment securities, primarily stocks and bonds through third party brokerage firms. These brokerage firms charge the clients commissions or other charges for these transactions. QCI Asset Management, Inc. does not receive any compensation, in any form, from these custodians or brokerage firms.

#### 2. Fees - Fiduciary Consultation Services

QCI Asset Management, Inc. shall receive from fiduciary consulting services clients an annual service fee that is based on a percentage of the investable assets under consulting review. Fees are payable quarterly in advance.

The amount of the annual Consulting Service Fee for account(s) up to \$2,000,000 shall be the sum of one half of one percent (0.5%), plus one quarter of one percent (0.25%) of the value of the account(s) above \$2,000,000 up to \$5,000,000, plus fifteen one hundredths of one percent (0.15%) of the value of the account(s) above \$5,000,000.

Fees are *NEGOTIABLE*.

#### 3. Fees – Venture Capital Distributions Services

QCI Asset Management, Inc. shall receive from venture capital distributions services clients an annual fixed fee under this service agreement. This fee is negotiable, and is determined based upon the size and scope of each engagement.

#### 4. Fees – Financial Planning Services

QCI Asset Management, Inc. does not charge for financial planning services it provides. These services are performed on an as needed or as requested basis during the normal course of the investment management relationship with our clients.

#### 5. Fees – Investment Advisory services to a registered investment company

QCI Asset Management, Inc. receives a fee for investment advisory services to Starboard Investment Trust, a registered investment company, in the amount of 3/4% of the values of the investable assets under management in the QCI Balanced Fund (The Fund).

5. Fees – Investment Advisory services to a registered investment company (continued)

These tables describe the fees and expenses that you may pay if you buy and hold shares of the Fund.

**Shareholder Fees**

*(fees paid directly from your investment)*

	<b>Institutional</b>	<b>Retail</b>
Maximum Sales Charge (Load) Imposed On Purchases (as a % of offering price)	None	None
Redemption Fee	None	None
Exchange Fee	None	None

**Annual Fund Operating Expenses**

*(expenses that you pay each year as a percentage of the value of your investment)*

	<b>Institutional</b>	<b>Retail</b>
Management Fees	0.75%	0.75%
Distribution and/or Service (12b-1) Fees	0.00%	0.25%
Other Expenses	0.43%	0.43%
Acquired Fund Fees and Expenses <sup>1</sup>	0.02%	0.02%
<b>Total Annual Fund Operating Expenses</b>	<b>1.20%</b>	<b>1.45%</b>
Fee Waiver and/or Expense Limitation <sup>2</sup>	0.18%	0.18%
<b>Net Annual Fund Operating Expenses</b>	<b>1.02%</b>	<b>1.27%</b>

1. "Acquired Fund" means any investment company in which the Fund invests or has invested during the period. Since the Fund is newly organized, "Acquired Fund Fees and Expenses" are based on estimated expenses for the current fiscal year.

2. The Advisor has entered into an Expense Limitation Agreement with the Fund under which it has agreed to waive or reduce its fees and to assume other expenses of the Fund, if necessary, in an amount that limits the Fund's annual operating expenses (exclusive of interest, taxes, brokerage fees and commissions, extraordinary expenses, payments under the Rule 12b-1 distribution plan, and acquired fund fees and expenses) to not more than 1.00% of the average daily net assets of the Fund through January 31, 2018. The Expense Limitation Agreement may not be terminated prior to that date. The Advisor cannot recoup from the Fund any amounts paid by the Advisor under the Expense Limitation Agreement. Further, net annual operating expenses for the Fund may exceed those contemplated by the waiver due to acquired fund fees and other expenses that are not waived under the Expense Limitation Agreement.

## Item 6 – Performance – Based Fees and Side-By-Side Management

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We do not charge advisory fees based on the capital appreciation of the funds or securities in a Client account (so-called performance-based fees). Our advisory fee compensation for each of our Programs is disclosed in Item 5.

## Item 7 – Types of Clients

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We generally provide our services to the following types of clients:

- Individuals, including high net worth individuals
- Pension and profit sharing plans
- Trusts, estates and charitable organizations
- Corporations or other business entities
- Taft-Hartley plans and governmental plans
- Non-for-profit entities
- Investment companies registered under the Investment Company Act of 1940.

Client Relationships vary in scope and length of service.

QCI Asset Management, Inc. has a minimum account size of \$300,000.

Clients with assets below the minimum account size may pay a higher percentage rate on their annual fees than the fees paid by clients with greater assets under management.

QCI Asset Management, Inc. has the discretion to waive the account minimum. QCI Asset Management, Inc., in its sole discretion, may waive its minimum fee and/or charge a lesser investment advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with clients, etc.).

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

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### 1. Method of Analysis

Security analysis methods may include fundamental analysis, technical analysis, and cyclical analysis. The main sources of information include financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

Other sources of information that QCI Asset Management, Inc. may use include Morningstar Principia and Stylus mutual fund information, Factset, YCharts, research services provided by Thompson Reuters such as First Call research, and the World Wide Web.

### 2. Investment Strategies

QCI Asset Management, Inc.'s investment strategy as it relates to equities (stocks) involves building portfolios on a foundation of solid core holdings, complemented by stocks that offer timely opportunities.

We choose core holdings by reviewing long-term trends, cyclical forces, and relative valuations, to build a diversified portfolio with specific sector and industry emphases.

On top of the core, we add stocks of companies that present compelling risk/return propositions. We identify them using primarily two broad criteria:

- The existence of a "Catalyst for Change" in the company – internal, such as new management team, or external, like a change in government policy.
- "Growth on Sale" strong companies whose stocks are temporarily underpriced due to temporary operating difficulties or a negative earnings surprise.

QCI Asset Management, Inc.'s investment strategy as it relates to fixed income (bonds) involves building fixed income portfolios by first evaluating the interest rate cycle and choosing a duration target. We then look for attractive maturities along the yield curve, and opportunities within particular sectors and industries. Finally, we analyze individual securities and choose those we consider the most compelling.

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time. Each client executes an Investment Policy Guidelines Statement that documents the desired investment strategy.

Other strategies may include long-term purchases, short-term purchases, trading, and option writing (including covered options, uncovered options or spreading strategies).

### 3. Risk of Loss

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- Interest-rate Risk: Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, coupon rates on existing bonds become less attractive, causing their market values to decline.
- Market Risk: The price of a stock, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- Inflation Risk: When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.

- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

## Item 9 – Disciplinary Information

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QCI Asset Management, Inc. and its employees are not and have not been involved in any legal or disciplinary events.

## Item 10 – Other Financial Industry Activities and Affiliations

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QCI Asset Management, Inc. is a registered investment advisor with the securities and exchange commission.

QCI Asset Management, Inc. is not registered as a securities broker-dealer, or a futures commission merchant, commodity pool operator or commodity trading advisor. Our only business is fee based investment management.

QCI Asset Management, Inc. has no affiliation with any organizations that are material to its advisory or its clients.

## Item 11 – Code of Ethics

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QCI Asset Management, Inc. adopted an Investment Advisory Code of Ethics based on the principle that all Investment Advisory Representatives have a fiduciary duty to place the interest of Clients ahead of their own. This Code of Ethics is designed to (i) ensure we meet our fiduciary obligations to our Client, and (ii) foster and maintain a Culture of Compliance within our Firm. On an annual basis, all Investment Advisory Representatives are required to certify in writing that they are aware and will abide by the principles of the Code. We also supplement the Code with annual training and on-going monitoring of investment advisory activity.

Our Code does not prohibit personal trading by employees or proprietary trading by our Firm. As you may imagine, as a professional investment adviser, we follow our own advice. As a result, we or our employees may purchase or sell the same securities that are also held by clients. Employees may not trade their own securities ahead of client trades, as this would be a direct conflict of interest with our clients and a violation of our Code of Ethics.

On an annual basis, we require all Investment Advisory Representatives to re-certify to our Code. Individuals who are designated as "Access Persons" are required to make quarterly reports to Compliance of all securities transactions made in their covered accounts. By January 31<sup>st</sup> of each year Access Persons must also file an Annual Holdings Report.

Clients may request a complete copy of our Code by writing us at the address on the cover page of this Brochure; attn.: Chief Compliance Officer.

## Item 12 – Brokerage Practices

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### 1. Brokers we use

When selecting a broker-dealer to execute transactions for our clients, we consider a wide range of factors including the following:

- Capability to execute, clear, and settle trades (buy and sell securities for client accounts);
- Availability of investment research and tools that assist us in making investment decisions;
- Availability of the other products and services that benefit our organization;
- Quality of service;
- Competitiveness of the price of service (commission rates, other cost and fees) and willingness to negotiate them;
- Reputation and stability of the organization; and
- Prior service to our organization and our clients.

## 2. Directed Brokerage

A Client is allowed to choose the broker or dealer to be used for his/her account. This choice may, at the option of the client, be made for all transactions or only when QCI Asset Management, Inc. reasonably believes the broker offers price and execution (including the value of research services) at least equal to other brokers. If a client names a broker for all transactions for their account, QCI Asset Management, Inc.'s ability to negotiate commissions may be materially adversely affected and QCI Asset Management, Inc. may be unable to obtain volume or other discounts or obtain best execution. Directed transactions may not be combined or aggregated for execution purposes with orders for the same securities for other accounts managed by QCI Asset Management, Inc. and may be placed at the end of aggregated trading activity for a particular security. This may result in the client paying higher commissions than would be available from other brokers. Clients subject to ERISA will be required to represent to QCI Asset Management, Inc. that any designation of brokers is for the exclusive purpose of providing benefits to participants and beneficiaries of the plan and will not constitute or cause the plan to be engaged in a "prohibited transaction" as defined by ERISA.

## 3. Order Aggregation

QCI Asset Management, Inc. often aggregates the shares of securities it is buying or selling for clients. Each client portfolio that participates in an aggregated order will generally participate at the average share price for all the transactions in that security for that particular aggregated order on a given business day, with all transaction costs shared pro rata based on each client's participation in the transaction. A random allocation program is used to fill partial executions. The random allocation method is used to avoid allocating tiny blocks of securities, which can increase settlement and transaction costs.

## 4. Best Execution

QCI Asset Management, Inc. has a fiduciary obligation to seek the most favorable terms reasonably available under the circumstances for the execution of clients' securities transactions (best execution). The Company must execute securities transactions for clients in such a manner that the clients' total cost or proceeds in each transaction is the most favorable under the circumstances. The determinative factor is not the lowest possible commission cost but whether the transaction represents the best qualitative execution for the managed account. QCI Asset Management, Inc. reviews the execution of trades each month. QCI Asset Management, Inc. does not receive any portion of the trading fees.

## 5. Soft Dollars

QCI Asset Management, Inc. receives research or other products or services other than execution from some broker-dealers in connection with client securities transactions ("soft dollar benefits").

This practice creates conflicts of interest. When QCI Asset Management, Inc. uses client brokerage commissions (or markups or markdowns) to obtain research or other products or services, we receive a benefit because our firm does not have to purchase or pay for the product or service. Also, QCI Asset Management, Inc. may have an incentive to select or recommend a broker-dealer based on our intent in receiving the research or other products or services, rather than on our clients' interest in receiving the most favorable execution. In addition, QCI Asset Management, Inc. may cause clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up). This research or other products or services obtained may be used to service all of QCI Asset Management, Inc.'s accounts, or just a portion of accounts depending upon the applicability of the research or product or service. QCI Asset Management, Inc. does not seek to allocate soft dollar benefits to client accounts proportionally to the soft dollar credits the accounts generate.

The types of research, products and services QCI Asset Management, Inc. acquired with client brokerage commissions (markups or markdowns) within the last fiscal year include Wall Street investment research such as written reports, periodic access to staff research analysts, research data search and analysis tools such as "YCharts", "Fact Set", and "Morningstar Principia" mutual fund information, and market information services such as "Bloomberg". A list of all research or other products or services received through soft dollar transactions is available upon written request.

These research products and services are monitored and reviewed for their usage and value on a regular basis.



## Item 13 – Review of Accounts

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Account reviews are performed regularly by at least one of two assigned portfolio managers. These reviews cover asset allocation, cash position, security weightings, and client objectives. Account reviews are performed more frequently when market conditions dictate.

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

Clients receive periodic communications on at least an annual basis. Our typical written reporting to clients occurs on a quarterly basis which includes a position statement, an account history, and a performance review. Monthly reporting is available on an exception basis if requested by the client.

## Item 14 – Client Referrals and other Compensation

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QCI Asset Management, Inc. has been fortunate to receive many client referrals over the years. The referrals came from current clients, estate planning attorneys, accountants, employees, personal friends of employees and other similar sources.

QCI Asset Management, Inc. has a program under which it agrees to pay a referral fee to third parties who refer business to the firm. The referral fee is negotiated with each third party and fully disclosed to the client in writing. The client's service fee is not increased by the amount of the referral fee. The referral fee is payable as QCI Asset Management, Inc. receives the client's service fee.

QCI Asset Management, Inc. does not accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.

## Item 15 – Custody

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QCI Asset Management, Inc. does not maintain custody of client assets that we manage or on which we advise. Client assets are maintained at a "qualified custodian", generally a broker-dealer or bank.

All of our clients receive account statements directly from their custodian at least quarterly. They will be sent to the email or postal mailing address on record at the custodian. Clients should carefully review their statements promptly when received.

Clients are urged to compare the account statements received directly from their custodians to the periodic account statements and portfolio reports provided by QCI Asset Management, Inc.

Clients are sometimes provided net worth statements. Net worth statements contain approximations of bank account balances provided by the client, as well as the value of land and hard-to-price real estate. The net worth statements are used for long-term financial planning where the exact values of assets are not material to the financial planning tasks.

QCI Asset Management Inc. generally recommends that our clients use either Charles Schwab ("Schwab"), Pershing Advisors Solutions, LLC (PAS), both FINRA registered broker-dealers, and members of SIPC, or State Street Bank and Trust company (SST), a bank. All are qualified custodians. QCI Asset Management, Inc. is independently owned and operated and not affiliated with any of these custodians. Although QCI Asset Management, Inc. may recommend that clients establish accounts at Schwab, PAS or SST, it is the client's decision whether to do so and open their account(s) directly with them. Even though accounts are maintained at one of these custodians QCI can still use other brokers to execute trades for these client accounts.

For QCI Asset Management, Inc. client accounts maintained in their custody, SST, Schwab and PAS charge separately for custody services but may also be compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through them.

SST, Schwab and PAS also make available to QCI Asset Management, Inc. other products and services that benefit QCI Asset Management, Inc. but may not directly benefit its clients' accounts. These products and services assist us in managing and administering our clients' accounts. They may include investment research, and software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements);
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- Provide pricing and other market data;
- Facilitate payment of our fees from our clients' accounts; and
- Assist with back-office functions, record keeping, and client reporting.

Many of these products and services may be used to service all or some substantial number of QCI Asset Management, Inc. accounts, including accounts not maintained at SST, Schwab or PAS.

Separately, Schwab has also agreed to pay for certain products and services for which we would otherwise have to pay once the value of our clients' assets in accounts at Schwab reaches a certain amount. These products and services, how they benefit us, and the related conflicts of interest are described above (see Item 12-Brokerage Practices).

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

- Educational conferences and events;
- Technology, compliance legal, and business consulting;
- Publications and conferences on practice management and business succession; and
- Access to employee benefits providers, human capital consultants, and insurance providers.

These firms may also provide us with other benefits such as occasional business entertainment of our personnel.

## **Item 16 – Investment Discretion**

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QCI Asset Management, Inc. accepts discretionary authority to manage securities accounts on behalf of clients. QCI Asset Management, Inc. has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. However, QCI Asset Management, Inc. consults with the client prior to each trade to obtain concurrence if a blanket trading authorization has not been given.

The client approves the custodian to be used and the fees paid to the custodian. QCI Asset Management, Inc. does not receive any portion of the fees or commissions paid by the client to the custodian or to the broker-dealer for trades. Discretionary trading authority facilitates placing trades in client accounts on their behalf so that we may promptly implement the investment guidelines that have been approved.

A limited power of attorney is a trading authorization for this purpose. Clients sign a limited power of attorney so that we may execute the trades on a discretionary basis.

## **Item 17 – Voting Client Securities (i.e., Proxy Voting)**

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Unless the client designates otherwise, QCI Asset Management, Inc. votes proxies for securities over which it maintains discretionary authority consistent with its proxy voting policy. A copy of QCI Asset Management, Inc.'s proxy voting policy is available upon request. Clients may obtain information from QCI Asset Management, Inc. about how their proxies were voted upon written request.

## **Item 18 – Financial Information**

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The Firm does not charge of solicit pre-payment of fees by Clients six months or more in advance. It will bill fees in advance each quarter. The Firm is not aware of any financial conditions or events which are reasonably likely to impair its ability to meet its contractual commitments to its Clients.