

# **DISCERN Investment Analytics, Inc.**

## **Form ADV - Part II**

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### ***Uniform Application for Investment Adviser Registration***

***Release Date: April 8, 2010***

***DISCERN Investment Analytics, Inc. ("DISCERN") is a federally registered investment adviser under the Investment Advisers Act of 1940. The following information responds to the questions set forth in Part II of Form ADV, the form on which investment advisers register with the Securities and Exchange Commission. DISCERN's address is 333 West Evelyn Avenue, Suite B, Mountain View, CA 94041. Its telephone number is (415) 645-6526.***

***This part of Form ADV gives information about DISCERN and its business for the use of clients. The information has not been approved or verified by any government authority.***

**1. Advisory Services and Fees.**

- A. DISCERN furnishes investment advice through consultations (20% of estimated total advisory billings), issues periodicals about securities by subscription (30% of estimated total advisory billings), issues other special reports about securities (30% of estimated total advisory billings), issues charts, graphs, formulas, or other devices which clients may use to evaluate securities (10% of estimated total advisory billings), and furnishes advice about securities in other manners (10% of estimated total advisory billings).
- B. DISCERN does not call any of the services it provides "financial planning" or any similar term.
- C. DISCERN offers investment advisory services for subscription fees and for fixed fees.
- D. See Schedule F for a further description of services provided and applicable fee schedules.

**2. Types of Clients.** DISCERN generally provides investment advice to investment companies, pension and profit sharing plans, and other corporations and business entities.

**3. Types of Investments.** DISCERN offers advice on the following types of investments:

- Equity securities, including exchange-listed securities, securities traded over-the-counter and foreign issuers
- Corporate debt securities (other than commercial paper)
- Municipal securities
- Mutual fund shares
- United States government securities
- Options contracts on securities

**4. Methods of Analysis, Sources of Information, and Investment Strategies.**

- A. DISCERN primarily uses fundamental security analysis but may also employ charting and technical analysis.
- B. The main sources of information DISCERN uses include financial newspapers and magazines, research materials prepared by others, annual reports, prospectuses, filings with the Securities and Exchange Commission, and other information sources as set forth in Schedule F.
- C. The investment strategies used to implement any investment advice given to clients may include long term purchases (securities held at least a year), short term purchases (securities sold within a year), trading (securities sold within 30 days), short sales, margin transactions and option writing, including covered options, uncovered options or

spreading strategies.

5. **Education and Business Standards.** DISCERN requires certain standards of education or business experience that each employee involved in determining investment advice to clients must have. See Schedule F for a description of these standards.
6. **Education and Business Background.** See Schedule F for a description of the education and business backgrounds of certain DISCERN principal executive officers and individuals who determine general investment advice given to clients. *(For additional biographical detail on these individuals and other DISCERN employees and advisers, please visit: <http://www.discern.com/team> )*
7. **Other Business Activities.** The principal business activity of DISCERN and its principal executive officers is providing investment advice; however, DISCERN sells products other than investment advice, as explained on Schedule F.
8. **Other Financial Industry Activities or Affiliations.**
  - A. DISCERN is not registered as, nor does it have an application pending to become, a securities broker-dealer.
  - B. DISCERN is not registered as, nor does it have an application pending to become, a futures commission merchant, commodity pool operator or commodity trading adviser.
  - C. DISCERN has no arrangements that are material to its advisory business or its clients with any related person who is a: broker-dealer, investment company, other investment adviser, financial planning firm, commodity pool operator, commodity trading adviser, futures commission merchant, banking or thrift institution, accounting firm, law firm, insurance company or agency, pension consultant, real estate broker or dealer, or entity that creates or packages limited partnerships.
  - D. Neither DISCERN nor a related person are general partners in any partnership in which clients are solicited to invest.
9. **Participation or Interest in Client Transactions.**
  - A. Neither DISCERN nor any related person acts as principal in buying for itself from or selling securities it owns to any client.
  - B. Neither DISCERN nor any related person acts as broker or agent in effecting securities transactions for compensation for any client.
  - C. Neither DISCERN nor any related person acts as broker or agent for any person other than a client in effecting transactions in which client securities are sold to or bought from a brokerage customer.
  - D. Neither DISCERN nor any related person recommends to clients that they buy or sell securities or investment products in which applicant or a related person has some financial interest.
  - E. DISCERN or a related person may buy or sell for itself securities that it also recommends to clients. See Schedule F for more information.
10. **Conditions for Managing Accounts.** DISCERN does not provide investment supervisory services, manage investment advisory accounts, or hold itself out as providing financial planning or some similarly termed services.

**11. Review of Accounts.** DISCERN does not provide investment supervisory services, manage investment advisory accounts, or hold itself out as providing financial planning or some similarly termed services.

**12. Investment or Brokerage Discretion.**

- A. Neither DISCERN nor any related person has any authority to determine on behalf of clients securities to be bought or sold, amount of securities to be bought or sold, broker or dealer to be used, or commission rates paid.
- B. Neither DISCERN nor any related person suggests brokers to clients.

**13. Additional Compensation.**

- A. Neither DISCERN nor any related person has any oral or written arrangement whereby it or they are paid cash by or receive some economic benefit (including commissions, equipment or non-research services) from a non-client in connection with giving advice to clients.
- B. Neither DISCERN nor any related person directly or indirectly compensates any person for client referrals.

**14. Balance Sheet.** DISCERN has not provided a Schedule G balance sheet because it does not have custody of client funds or securities and it does not require prepayment of more than \$500 in fees per client 6 or more months in advance.

# Schedule F

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## Item 1.D.

### ***Advisory Services Provided***

DISCERN provides investment research, and markets datasets and analytical software tools, to institutional asset managers. DISCERN's advisory services consist of written and quantitative investment research delivered electronically, consultations with analysts delivered via direct telephone call or through in-person meetings, and group sessions with multiple clients in the form of conference calls and live events. DISCERN charges quarterly subscription fees for its services with the amount varying depending on the seniority of the analyst, the level of service and the number of users at the client firm. Quarterly service fees range from approximately \$4,000 per quarter for the written coverage of one or a few companies without consultative services to \$250,000 per quarter or more for the coverage of multiple sectors combined with unrestricted consultative services and multiple users at the client. Quarterly payments are invoiced and due each quarter in advance. Subscriptions automatically renew on a quarterly basis unless terminated by DISCERN or its client on written notice delivered at least thirty days prior to the end of the previous quarter. DISCERN may notify an existing subscriber of a price increase planned for an upcoming quarterly period at least thirty days prior to the end of the previous quarter, at which time the subscriber will have ten days to respond. If the subscriber does not agree to the planned price increase, the subscription is terminated. If coverage of a company or sector ceases to be provided by DISCERN prior to the end of a period for which a client has made payment, DISCERN will provide a pro-rata refund for the remaining payment period.

Currently, DISCERN does not have named publications or research reports.

## Item 4.B.

### ***Methods of Analysis, Sources of Information, and Investment Strategies***

In addition to financial newspapers and magazines, research materials prepared by others, annual reports, prospectuses, and filings with the Securities and Exchange Commission, DISCERN uses raw data obtained through its own efforts, from third party licensors, and from a variety of public sources including governmental entities.

## Item 5

### ***Education and Business Standards***

DISCERN generally requires that each employee involved in determining or giving investment advice to clients must have at a minimum a Bachelors degree from an accredited college or university and each such employee must have at least three years relevant business, research or investing experience.

## Item 6

### ***Education and Business Background***

(For additional biographical detail on these individuals and other DISCERN employees and advisers, please see: <http://www.discern.com/team>.)

#### **Harry Blount, CFA**

*Chief Executive Officer*

Mr. Blount has spent 21 years as an investment research analyst with major Wall Street firms, most recently at Lehman Brothers, covering multiple consumer and enterprise technology disciplines including internet infrastructure, wireless technology, IT hardware, telecommunications and environmental services. Mr. Blount was named an *Institutional Investor* All-American in Information Technology Hardware and Internet Infrastructure Services. Mr. Blount was also recognized as a *Wall Street Journal* All-Star for the Computer Hardware sector. Mr. Blount serves on the National Academy of Sciences Committee for Forecasting Future Disruptive Technologies and is Chairman of the Futures Committee for The Tech Museum of Innovation in San Jose. Mr. Blount has been working to establish the concept, strategy and business of DISCERN since leaving Lehman Brothers in 2007. Mr. Blount earned a bachelor's degree in finance from the University of Wisconsin – La Crosse in 1986 and was born in 1963.

#### **Henry "Chip" Dickson, CFA**

*Director of Research*

Mr. Dickson has spent 20 years in financial and strategy research on Wall Street. Most recently Chip was the Chief Equity Strategist and Associate Director of Research at Lehman Brothers. Prior to his strategy role, Chip was a top ranked bank analyst on Wall Street, having been named nine times an *Institutional Investor* All American. Mr. Dickson is co-author of "*The Great Deleveraging – Economic Growth and Investing Strategies for the Future*" published by Prentice Hall and scheduled for release in July 2010. Mr. Dickson is on the Advisory Board of Babson College's Cutler Center for Investment and Finance and has taught on several occasions a masters level course on capital markets and finance at Seton Hall. Before co-founding DISCERN, Mr. Dickson spent two years as a general partner in a community bank private equity fund and prior to that worked at Lehman Brothers. Mr. Dickson earned undergraduate degrees in accounting and finance from Babson College in 1975 and an M.B.A. in economics and finance from Babson College in 1976. Mr. Dickson was born in 1953.

#### **David Bubas**

*Managing Director, Sales and Marketing*

Mr. Bubas has spent 16 years in institutional sales at securities firms including Dain Rauscher and Stephens Inc. where he covered many of the largest professional fund managers in the mid-continent of the United States. Previous to co-founding DISCERN, Mr. Bubas spent approximately one year as a Vice President in institutional equity sales at Noble Financial Group. Prior to that, he founded and spent four years as the Managing Partner of PalmWest Capital Management, LP, a long/short hedge fund management company.

Mr. Bubas earned a B.A. in Business Administration from Indiana University in 1976 and he was born in 1954.

**James Miller**

*Managing Director, Sales and Business Development*

Mr. Miller has spent over 20 years in sales including a decade at Barclays, Lehman Brothers, and Bank of America Securities serving the largest professional fund managers on the West Coast and, previously, selling medical devices with Acuson and ATL. Prior to co-founding DISCERN, Mr. Miller was a Senior Vice President in institutional equity sales at Lehman Brothers/Barclays, where he had worked since early 2004. Mr. Miller earned a B.A. from Georgetown in 1987 and he was born in 1965.

**Paul Saffo**

*Managing Director, Foresight*

Mr. Saffo is a leading forecaster with over 20 years of experience advising corporate and governmental clients in understanding and responding to the dynamics of large-scale, long-term change. Since 2006, Mr. Saffo has been an independent consultant engaged as a forecaster and has taught at Stanford University where he is a Consulting Associate Professor in the Engineering School and a Distinguished Visiting Scholar in the Media-X Program. Prior to 2006, Mr. Saffo was employed at the Institute for the Future, where he had worked as an analyst and forecaster for approximately 20 years. Mr. Saffo is founding co-chair of the Futures track at Google's Singularity University. He is a member of the World Economic Forum and serves on the National Academy of Sciences Committee for Forecasting Future Disruptive Technologies. Mr. Saffo earned a B.A. from Harvard College in 1976, an L.L.M. from Cambridge University in 1978, and a J.D. from Stanford University in 1980. He was born in 1954.

**Maroo Lieuw**

*Head of Product Management and Technology*

Mr. Lieuw is a seasoned technology manager with 15 years experience leading teams in successfully transforming business ideas into viable products and features. From 2006 until joining DISCERN, Mr. Lieuw was Senior Manager, Social Platforms at Yahoo. Before joining Yahoo, Mr. Lieuw was Senior Technical Product/Program Manager, Search & Navigation at Amazon for approximately one year and, previous to that experience, he spent 8 years at Morgan Stanley and Morgan Stanley Online where he held roles including Senior Manager/Vice President, Strategic Implementation and Senior Manager/Vice President, Trading Site Operations and Development. Mr. Lieuw earned a B.A. in Cognitive Science/Computer Science from the University of California at Berkeley in 1995 and was born in 1971.

**Scott Starbird**

*Chief Financial and Operating Officer, Chief Compliance Officer*

Mr. Starbird spent 17 years in investment banking including roles as head of the West Coast telecom practices at Bear Stearns, where he was a Managing Director, and CIBC Oppenheimer, where he was an Executive Director. For 8 years prior to co-founding DISCERN, Mr. Starbird managed Quantrascend, a

quant/global macro hedge fund. Mr. Starbird earned a B.A. in Economics from Harvard College in 1979, an M.B.A. at Stanford in 1981 and a J.D. at U.C. Berkeley in 1985, where he was a member of the *California Law Review*. Mr. Starbird is a member of the California and District of Columbia Bar Associations. He was born in 1957.

## **Item 7**

### ***Other Business Activities***

In addition to providing investment advice, DISCERN sells datasets that it compiles or licenses from third parties and analytical software licensed from third parties. These products are marketed and sold by DISCERN to its advisory clients, institutional asset managers.

## **Item 9.E.**

### ***Participation or Interest in Client Transactions***

DISCERN, its principals and employees adhere to the DISCERN Investment Analytics, Inc. Code of Ethics and to the Code of Ethics and Standards of Professional Conduct adopted by the CFA Institute, of which Mr. Harry Blount and Chip Dickson (principals of DISCERN) are members. Pursuant to those Codes of Ethics and other DISCERN policies and procedures with regard to confidentiality, and the avoidance of potential conflicts of interest, all transactions executed at DISCERN, including those on behalf of its principals and employees, are reviewed daily to prevent the misuse of material non-public information by DISCERN, its principals and employees and other violations of law or conflicts of interest. From time to time, DISCERN, as well as principals and employees of DISCERN, may have positions or may engage in transactions, in the same securities as those discussed with advisory clients. To avoid any potential conflicts of interest, transactions effected for principals or employees of DISCERN within the same time frame as the provision of advice regarding the securities that are the subject of those transactions will be carefully monitored, reviewed and restricted where appropriate. As a matter of policy, DISCERN prohibits its principals and employees from executing transactions in a security or sector immediately prior to or immediately after coverage is initiated or revised in the same security or sector. DISCERN also prohibits any investment or trading in a security or sector by any member of the coverage team immediately responsible for coverage of that security or sector.