



Part 2 of Form ADV: Firm Brochure

## Firm Brochure

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This brochure provides information about the qualifications and business practices of Equity Logic. If you have any questions about the contents of this brochure, please contact us at 415.999.9033 and/or email [tomkee@equitylogic.net](mailto:tomkee@equitylogic.net). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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

Registration does not imply a certain level of skill or training.



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## Message from the President

After the market decline in 2008 and the realization that the past ten years have resulted in negative stock market returns, investors are starting to realize why proactive risk controlled strategies are no longer an option, but a necessity. Individual investors, institutions, accredited investors, foreign investors, sovereign wealth funds, endowments, trusts, and retirees all understand that they must recognize the risks in the economy and proactively manage their investments if they intend to grow given current and future economic conditions. Unfortunately, most persons or entities find it difficult to engage in proactive investment strategy. Whether due to ingrained traditional doctrine, which suggests that investors can just buy more on dips and everything will be fine, something that the last ten years has proven wrong, or be it due to some other obligation or restriction, most investors do not incorporate proactive strategies properly, or cannot find the time to do it at all. For those, as well as others who simply prefer to have someone else do it for them, Equity Logic was developed so everyone can take advantage of the moves in the market in a positive manner, and have the opportunity to grow regardless of economic conditions or market direction, regardless of economic policy decisions in the White House, the unemployment rate, inflation or deflation, or any other of the myriad of noise and undulations that may occur throughout a given year. With the exception of none that I remember, every year is somewhat similar. There are relative extremes, and opportunities exist for proactive investors who manage their risk and realize opportunity without being handcuffed to the market, the economy, or their investments. Equity Logic serves all investors whose objective is to achieve positive results regardless of economic conditions, market direction, and without sacrificing time or lifestyle.

The model is a long short equity-based aggressive growth portfolio that will never directly short any securities. That makes it an option for IRAs and qualified accounts. Every account will be managed in the same manner, and the trades made will be aggregated over all accounts, thus providing a mean return on investment across all accounts. Only those accounts who add or remove monies will find a differentiation in their rate of return on investment, dependant on the timing of those new additions. This model will work to efficiently manage the primary strategy of Equity Logic across hundreds of separate accounts.

In addition, Equity Logic will have complete transparency, and full liquidity. The business model was developed to not only make Equity Logic an attractive investment but to remove all of the associated restrictions that traditional long short strategies may levy on investors. Equity Logic brings a proactive discipline to the table as an option and opportunity for all type of investor to achieve success in any market environment.

*Thomas H. Kee Jr.*



## **Advisory Business**

Equity Logic is a Delaware Limited liability Company. It is a newly formed investment advisory firm with an office in California. Thomas H. Kee Jr. is the principal owner.

Equity Logic provides managed account services, not supervisory services. Equity Logic specializes in managing proactively traded portfolios of US-based equities and ETFs. Market timing plays a critical role in this endeavor. Equity Logic invests in US equities and ETFs, but it does not invest in bonds, preferred stock, or other asset classes unless those are part of equity-based investments such as ETFs which are traded on US exchanges. Instead, Equity Logic focuses on equity-based investments which are traded on established US stock exchanges. That may mean individual stocks, single weighted ETFs, double weighted ETFs, ETFs which have an embedded short bias, and ETFs which have an embedded long bias. That may also mean ETFs that engage in non equity or foreign equity transactions, but those ETFs must trade on US Exchanges as equities themselves to qualify for investment consideration in Equity Logic Managed accounts.

Equity Logic does not tailor its investment strategy to the client. Clients may not impose restrictions upon Equity Logic outside the boundaries of the managerial agreement and brochure. If prohibitions restrict accounts from taking advantage of the strategies offered by Equity Logic, Equity Logic may not serve that client.

As of November 23, 2010 Equity Logic did not have \$35 Million under management and transitioned to a CA Advisor per SEC rule. Equity Logic is a newly formed investment advisor. Updates to this form will occur on a quarterly basis, describing the change in net assets under management.

## **Fees and Compensation**

The compensation of the Manager for its services under this Agreement shall be calculated and paid in accordance with the following Fee Schedule example, as the same may be amended from time to time by mutual written agreement between the Client and the Manager. The Client will provide written authorization to the Custodian to pay the fees of the Manager directly from the Investment Account immediately upon a predefined schedule authorized by the client.

This fee schedule example is based on a monthly plan, although daily schedules may also be adopted with approval and acceptance by both the Client and Manager. The monthly fee for management of the assets in the Investment Account will be billed and payable on the first day of each calendar month based upon the average monthly value of the assets in the Investment Account during the prior month.

On a monthly basis, the management fee is as follows (fees will adjust for daily schedules):

.167%	-	if less than	\$5 million
.146%	-	if between	\$5 and \$10 million
.125%	-	if between	\$10 and \$20 million
.104%	-	if between	\$20 and \$100 million



.083% - if greater than \$100 million

Clients may incur others fees, including commissions, but Equity Logic has no interest in and receives no consideration for those fees. Review the section on brokerage costs for more information.

### **Types of Clients**

Equity Logic typically provides managed account services to all level of investor so long as Equity Logic deems them suitable, they have the same objective as Equity Logic, and meet the \$100,000 minimum initial investment requirement. Equity Logic will never directly sell short, but will only buy short based ETFs to take advantage of downside market moves, so Equity Logic will accept IRAs as part of the managed accounts it serves. Unless otherwise restricted by law, Equity Logic is capable of managing any account whose objective is aggressive growth by implementing proactive rule-based trading strategies using US equities and ETFs.

### **Methods of Analysis, Investment Strategies and Risk of Loss**

Investment Rate:

The Investment Rate is one of the proprietary research instruments used by Equity Logic to determine the prospects for growth in the economy and the direction of the Stock Market. The Investment Rate was developed by Thomas H. Kee Jr., and it is recognized as a leading stock market and economic indicator. The Investment Rate serves as the foundation for all investment strategies and is consulted before every investment decision. According to the Investment Rate, the economy has already entered the third major down period in US history. The first was the Great Depression, the second was the stagflation period of the 1970s, and this third major down period will last longer than either one of those, according to the Investment Rate. This third major down period in US history began in 2007, it ends in 2023, and The Investment Rate suggests that traditional investment techniques purporting buy and hold strategies will not work for the foreseeable future. According to the Investment Rate, proactive strategies are a much better option. Equity logic is a proactively managed account.

Strategies:

Equity Logic will operate the same strategy for every account. Therefore, it is essential that every one of our managed accounts have the same objective. The strategy we offer is one designed to take advantage of relative market extremes in a proactive manner. This strategy is designed to trade actively at times especially when those trades occur around relative market extremes. This is not always a day trading strategy, but sometimes intraday trades are required and sometimes these accounts will end in cash. By limiting the entry points to relative market extremes, Equity Logic attempts to strategically position



client's assets on either the long or the short side of the market in order to grow those accounts in a meaningful manner every year, regardless of economic conditions, and regardless of market direction.

Each account will be divided into core segments, each segment will represent a position, and those positions together will make up a concentrated portfolio designed to take advantage of the market direction anticipated by Mr. Kee. Traditional investment philosophy suggests that concentrated portfolios have a higher degree of risk than diversified portfolios, and that means added volatility, but Equity Logic believes that the restriction on entry levels for these positions implemented by the investment committee of Equity Logic and explained in this brochure will enable it to successfully manage risk while still taking advantage of opportunities. Sometimes all assets will be placed into a single ETF which, by definition, is itself well diversified. Every election will also be restricted to diversified ETFs, although sometimes those may be concentrated in a specific sector.

#### Investment Decisions:

All investment decisions, including the timing of said decisions, will be made by Thomas H. Kee Jr. Always, his first observation will come from The Investment Rate, followed by the Periodic Oscillator, Long Term Technical Channels, and Fibonacci Calculations. All of these need not always agree. The decisions to invest or move to cash will be made at the discretion of Thomas H. Kee Jr. using the tools mentioned here. His sentiment tools, and hands on observations, in addition to traditional economic models and technical analysis will serve as additional tools, and important ones, but these need not line up either for an investment decision to be made.

Mr. Kee will provide a quarterly update to managed account holders. These reports will not be available in real time, but only on a quarterly basis. Clients can then reflect upon what caused the general decisions to be made, by reviewing his documented report.

#### Cash:

Cash is an integral investment. There will be substantial periods of time when cash positions are held, and Equity Logic patiently waits for entry opportunities on either the long or short side of the curve. During those times, investors should be patient, and understand that trading intra channel leads to unnecessary risk, and often unnecessary stops. Therefore, cash positions are not only accepted, but embraced.

#### Risk Controls

Risk controls are a critical element to successful proactive investment strategy, and they are an essential element to the ongoing business practice and managed account decisions made by Thomas H. Kee Jr. and Equity Logic. Equity Logic will purposefully limit investment decisions to times in which tests of technically important support or resistance levels are occurring, or have recently occurred. These technical determinations will be based on the proprietary assessments of Thomas H. Kee Jr., though he may consult charts and



determinates offered by other parties if he so chooses. By limiting entry levels to tests of technically important parameters, risk controls become obvious. If a test begins to break, for example, and that break is confirmed, risk controls will be implemented.

#### Risk of loss:

Often, Equity Logic will use double weighted ETFs to take advantage of moves in the market. These instruments are more volatile than traditional investments, and that volatility increases the risk profile of these instruments. Although every measure will be taken to control risk in this portfolio, there is no guarantee that the market will remain stable, there is no guarantee that the market will not surprise, there is no guarantee that stops will not occur, and if that happens there is a higher probability of loss because double weighted ETFs have twice the exposure than single weighted instruments.

In fact, Equity Logic expects stops to occur in the managed accounts it manages, and it expects losses from time to time. By definition, proactive trading strategies require stops to be made and transitions to occur when technically important support or resistance levels break. Stops will occur from time to time, and stops will result in losses in managed accounts.

#### **Disciplinary Information**

There has been no disciplinary action taken against Thomas H. Kee Jr. or Equity Logic.

#### **Other Financial Industry Activities and Affiliations**

Neither Equity Logic nor Thomas Kee had any financial industry activities or affiliations that would cause a conflict of interest under SEC regulations.

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

Equity Logic does not recommend to clients, or buy or sell for client accounts, securities in which we or a related person has a material financial interest, invests in the same securities, or do we or a related person that recommends securities to clients, or buys or sell securities for client accounts, at or about the same time that we or a related person buys or sells the same securities for his own (or the related person's own) account. This code of ethics creates a completely unbiased and objective environment from which to operate. Any break of this code of ethics will be punishable by Equity Logic.

#### **Brokerage Practices**

Equity Logic does not recommend broker-dealers nor receive compensation from broker-dealers. Equity Logic processes orders on an open exchange, based on the supply and demand of securities at various market makers, ECNs and brokerage firms, and orders may be placed at random. Equity Logic does not direct trades to brokerage firms unless that brokerage, ECN, or market maker happens to have the best liquidity at the time of the trade, and Equity Logic will not accept direction from a client to do so.



If a broker recommends or refers a client to Equity Logic he will do so at his discretion and it will not have a material impact or create a conflict of interest for any of the accounts managed by Equity Logic. Referred clients will be treated like every other client. If a conflict of interest arises, Equity Logic will report that conflict to all managed accounts.

Equity Logic will aggregate client accounts that have the same custodian so as not to create favorable or unfavorable incentives for any other client account. In doing so, the ability to execute trades as efficiently as trades in individual account transactions may be reduced. In addition, if more than one custodian exists, orders for aggregated accounts will be made for accounts at each custodian at reasonably the same time, so as not to create a conflict amongst accounts.

### **Review of Accounts**

Equity Logic will review client accounts after each transaction and maintain a close eye on every position held thereafter. Because trades will often be aggregated amongst accounts, a review of all accounts is necessary every time an aggregated trade is made. From there, because the same positions will be held in all accounts so long as those accounts were funded and active at the time of the transaction, a close review of the stocks held in all accounts serves as a constant review of the positions in the accounts themselves.

Equity Logic will provide clients with a quarterly report describing all transactions that were made during that respective quarter. These reports will be made available through e-mail and on Equity Logic.net. Because trades will be aggregated, the reports will not be specific to each account. The quarterly reports will instead be ascribed to transactions may by Equity Logic, explain the rationale for those transactions, including the risk and opportunity assessments when those transactions were made.

Account statements will not be provided by Equity Logic, but Equity Logic assumes that the brokers who hold the effects of the managed account will provide regular account statements and direct access to accounts through the Internet which the client can access regularly.

### **Client Referrals and Other Compensation**

Equity Logic does not receive consideration for the account management services it provides from anyone other than its clients. Nor does Equity Logic provide compensation to anyone for referrals who is not already registered. If Equity Logic does pay a registered entity a referral fee, that will not create a material conflict of interest, the referral fees paid by equity Logic will not cause client account fees to increase, and that referring party will have no authority, responsibility, or obligation, nor will he have the ability to supervise the accounts he refers to Equity Logic.

### **Custody**

Equity Logic will not have custody of client accounts. Instead, Equity Logic will work with the custodian of client accounts to manage those accounts properly.

### **Investment Discretion**





Equity Logic maintains discretionary authority over the accounts it manages. Equity Logic will manage securities on behalf of its clients and aside from the limitations stated in this brochure, execute transactions in the good faith of its clients and managed accounts. However, Equity Logic will at no time have the authority to withdraw or deposit monies into client accounts. Equity Logic acts as a manager for those accounts only, in accordance with managerial agreements submitted to the custodian of client accounts.

### **Voting Client Securities**

Equity Logic does not vote client securities. The custodian, transfer agent, or broker for client accounts is responsible for providing proxies to the client. Equity Logic will not entertain questions about security specific solicitations.

### **Financial Information**

Equity Logic has no financial condition which might impair its ability to meet the contractual commitments of its clients.

### **Other Businesses**

Although Equity Logic does not represent any other businesses be it in the financial industry or otherwise, Thomas H. Kee Jr., the President and CEO of Equity Logic, the chairman of both the Economic and Investment Committees, and the manager of the managed accounts who are clients of Equity Logic does operate and investment newsletter focusing on market analysis. The analysis that he conducts for that business and the communications he has through that business are integral elements to his ongoing market analysis and that enhances his ability to manage Equity Logic managed accounts. Mr. Kee has been engaged in the business of writing this newsletter, *Stock Traders Daily*, for more than 10 years. Through that newsletter he is able to gauge investor sentiment, demand, and overall interest by observing the results of computerized marketing systems which have already been developed and are operative in conjunction with Google, Reuters, MarketWatch, and other notable financial websites. These observations, in addition to the ongoing market analysis Mr. Kee conducts, serve as an added benefit and enhances his ability to properly manage accounts at Equity Logic. Because his market analysis will overlap, Mr. Kee does not expect to spend more than one additional hour per day managing *Stock traders daily*. This should be of no material impact to Equity Logic and will not create a conflict of interest because Equity Logic will not be the same as that newsletter.

Thomas H. Kee Jr. has a Bachelor of Science in both Economic and Business from St. Mary's College of California, he is the author of "Buy-and-Hold is Dead", the founder of the Investment Rate, his work has been featured by major financial media such as Barron's and Reuters, and renowned investors such as Prince Al Waleed of Saudi Arabia have taken interest in his strategies. Mr. Kee was born on September 6, 1970.