

# Argos Investment Advisors, LLC

## Part 2A of Form ADV

### The Brochure

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This brochure provides information about the qualifications and business practices of Argos Investment Advisors, LLC (“AIA” or the “Company”). If you have any questions about the contents of this brochure, please contact us at 314-898-9900. 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 AIA is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Material Changes

This brochure contains information about AIA’s business activities, and there have been no material changes since its adoption. However, in 2010 the SEC required significant changes to the content and format of Part 2 of Form ADV. This brochure, which reflects those changes, is materially different from brochures used by the Company in prior years.

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## Advisory Business

The Company registered with the Securities and Exchange Commission (“SEC”) as an investment adviser in 2008, and is owned by Argos Partners, LLC. As of February 28, 2011, the Company managed approximately \$1.9 million on a discretionary basis for one account, and approximately \$425 million on a non-discretionary or consulting basis, on behalf of approximately 271 accounts.

The Company provides investment advisory services to individuals, pension and profit sharing plans, trusts, estates, and charitable organizations. The Company is a wholly-owned subsidiary of Argos Partners, LLC, a private multi-family office that was created to address the professional, investment, and personal service needs of six ultra-affluent, multi-generational families. The Company provides individualized investment advice, due diligence, and recommendations on asset allocation, third-party managers and mutual funds, and individual investment securities (e.g. stocks, bonds, options). Clients may impose restrictions on investing in certain securities or types of securities. Additionally, the Company will review and make recommendations on other outside managers and investments that the clients have retained. As part of this process the Company

may retain the services of outside consultants to assist with the due diligence and review process. Services of the Company may also include, but are not limited to, the following:

- An investment policy statement that covers one's risk tolerance and liquidity needs
- Ongoing monitoring, due diligence, asset allocation, and additional review of investment portfolios
- Retirement sufficiency analysis
- Aggregate investment reporting through an independent third party (Private Client Resources or another appropriate vendor)
- Biennial or quarterly contact with investment meetings

The Applicant conducts due diligence on third-party advisers and recommends third-party advisers to some clients. These advisers may provide a wide range of investments including traditional equity investing, fixed income portfolios, as well as alternative strategies, such as hedge funds and private equity funds. Clients should review the disclosure documents of recommended investment managers for information on each manager's investment selection, analysis methods, and sources of information and investment strategies. Upon client request, AIA may conduct due diligence and provide recommendations on individual alternative investments, such as structured notes, mezzanine loans, real estate investments, and operating companies.

From time to time, certain clients of AIA may authorize AIA to provide discretionary investment advice for (portions of) an account(s).

Argos Investment Advisors' parent company, Argos Partners is involved in a wide array of services for clients. These include the following:

- Bill pay
- Preparing and filing tax returns
- Estate and Trust Planning
- Concierge Services including assisting in elder care, travel planning, record keeping, background checks, education research and selection, etc.
- Technology assistance including cell phones, blackberries, and email accounts
- Acquisition and disposition assistance for homes, planes and other private assets
- As well as other services (e.g. consulting for a negotiated flat fee).

### Valuation

AIA reports the value of client's investment portfolios to the client on a periodic basis, generally quarterly. AIA provides a net worth statement annually to applicable clients, according to the terms described in a client's Investment Advisory Service Agreement and AIA's Valuation policy and procedures. The net worth of a client is often the basis of management fees paid to AIA. AIA generally will not value the securities in a client's account. Rather, AIA relies upon values provided by the client's custodians and fund managers. AIA understands that securities listed on exchanges are valued at their closing price as the last trading day of the calendar quarter as reported by the custodian or pricing service. The value of specified illiquid, foreign or private

investments for which valuation information is not available through a custodian or an independent pricing service is generally provided by the sponsor of the investment or the fund manager responsible for the investment. In the event that AIA must internally “fair value” an investment, the Company will use its best efforts and all appropriate means to obtain all relevant information in order to determine a fair value. If it is deemed necessary or prudent, AIA may hire an independent third party to provide an appraisal of the investment. To the extent clients are charged fees based on their net worth, the client will have the final “sign off” on what something is worth on his/her balance sheet.

## **Fees and Compensation**

Clients are billed in accordance with terms specified in the client agreement(s). Clients (except for the Alpha Fund) may choose to have fees automatically deducted from their account, or to pay AIA via a check or wire. Fees are based on one of the following schedules.

The Company collects a base fee plus a basis point fee calculated on the total net worth of each client. The net worth used to determine the basis point charged is a mutually agreed to number based on their calendar year end net worth as calculated by the Argos Partners accounting staff and approved by the client prior to billing. The clients are billed and pay quarterly in arrears 25% of the annual base fee and 25% of the annual basis point fee.

Or

The Company collects a base fee plus a basis point fee calculated on the investable assets under management of the client as of calendar year end. The calculation is determined by the accounting staff at Argos Partners and approved by the client prior to billing. The clients are billed quarterly in arrears. The base fee is collected 50% in January and 50% in July. The basis point fee is collected 50% in April and 50% in October.

Or

The Company is the Manager Member of the Alpha Fund, LLC (the “Alpha Fund”), a Missouri limited liability company. The Alpha Fund pays a fee that consists of an Administration Fee and an Incentive Fee. The *Administration Fee*, payable monthly, in an amount per annum equal to 1.00% for Class D and Class E members and 0.80% for Class A and Class C members of assets under management, valued as of the immediately prior month-end net asset value of the Small Cap Fund. The *Incentive Fee*, payable annually on the last day of the calendar year, equal to 20% (for Class D and Class E members) and 18% (for Class A and Class C members) of the Small Cap Fund’s Net New Profits which are provisionally allocated to each member’s capital account on the last business day of each month. Net New Profits are any amount by which the capital accounts at month-end exceed the greater of the highest previous month-end value of the capital accounts and the value of the capital accounts when first purchased. The Incentive Fee is a cumulative benchmark fee, in that it will only be earned to the extent that the Fund’s surpasses the hurdle rate and achieves a new level, adjusted for allowed withdrawals. The Incentive Fee will be charged only to “qualified clients”, as defined in Rule 205-3 under the Investment Advisers Act of 1940,

as amended and such arrangements will conform to the terms and conditions set forth in 15 CSR 30-51.145(2) under the Missouri Uniform Securities Act. Fees are deducted from the Alpha Fund.

Or

Certain other (legacy) clients are charged a fee based solely on assets under management ranging from 0.4% to 1.0%. Base fees are charged by family, while basis point fees are charged by household.

Each client enters into an investment advisory agreement that continues in force and effect until either the client or AIA gives written notice to the other party of its intention to cancel it, in which event the contract shall terminate on such date as is specified by the terminating party. When either party terminates the relationship, fees are prorated from the beginning of the billing period through the specified termination date. If the account paid fees in advance, any prepaid unearned fees will be refunded to client. Every client will, on an annual basis, be offered a copy of the Company's Part II of Form ADV.

In addition to AIA's investment advisory fees, clients will incur trading costs and custodial fees (e.g., wire fees, IRA fees) (please refer to the *Brokerage Practices* section for more information). All fees paid to AIA for investment advisory services are separate and distinct from the fees and expenses charged by third-party managers and mutual funds. Mutual fund fees and expenses are described in each fund's prospectus; these fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest with a third-party manager or a mutual fund directly, without the services of AIA. In that case, the client would not receive the services provided by AIA which are designed, among other things, to assist the client in determining which third-party manager or mutual fund(s) are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the third-party manager or mutual funds and the fees charged by AIA to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided. Affiliates of AIA and/or their related persons may charge separate fees for bill pay services, legal work, accounting services, and/or insurance products.

Paul Tice, Chief Investment Officer of Argos Investment Advisor, also services as the Financial and Operations Principal (FINOP) for Consolidated Financial Investments ("CFI") in Clayton, MO. Mr. Tice receives a fixed consulting fee paid monthly, which is in turn paid to Argos Partners, LLC. Additionally, Mr. Tice's family owns approximately one-third of CFI. Further, in some cases, CFI receives "trailer" fees from mutual fund transactions that Argos executes through CFI. Argos has a conflict of interest in directing the execution of clients' trades to CFI as a result of the compensation arrangements disclosed. The conflict is addressed by an ongoing analysis of best execution by employees (other than Mr. Tice) of the Company. Further, it is AIA's policy to seek best execution on clients' securities transactions. Moreover, AIA has negotiated significant commission discounts from CFI, in addition to demanding a high level of service. Despite the conflict, AIA is comfortable that the use of CFI as one of our brokers for families remains consistent with our duty to seek best execution.

## **Performance Based Fees and Side-by-Side Management**

As stated in the *Fees and Compensation* section above, Alpha Fund Investors may pay performance based fees which are fees based on a share of capital gains on or capital appreciation of the client's assets.

The fact that an adviser may receive a performance-based fee from a client inherently creates an incentive for the Adviser to make investments on behalf of such clients which are riskier or more speculative than would be the case in the absence of such compensation. Further, there is an inherent conflict of interest to allocate better opportunities to those clients that pay more in fees. The Alpha Fund is a legacy private equity fund launched over 11 years ago which is 8 years before AIA was in existence. Further, the Alpha Fund is closed; the Alpha Fund is not accepting new or additional capital contributions, and has not made a new investment since 2008. As a result, AIA believes the above conflicts to be mitigated.

The performance based fee received by AIA is based primarily on realized and unrealized gains and losses. As a result, the performance based fee earned could be based on unrealized gains that clients may never realize.

## **Types of Clients**

As mentioned above in the *Advisory Services* section, the Company provides investment advisory services to individuals, pension and profit sharing plans, trusts, estates, and charitable organizations. The Company provides continuous and discretionary advisory services on the Alpha Fund. As Manager and Investment Advisor, the Company is solely responsible for the investment decisions of the Alpha Fund. The fund is private equity fund in its distributions phase. No new additional capital is being raised for this fund and no new additional investments are being made in the fund. As companies are sold within the fund, capital is distributed to the partners. The Investment Advisor has entered into side letter arrangements with certain investors, which may provide different terms to those investors, such as waived fees.

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

The Company researches and recommends third party managers to some clients. These strategies typically may include mutual funds, separately managed accounts, and alternative investments such as hedge funds and private equity funds. Investments pose a risk of loss that clients should be prepared to bear.

When performing due diligence on any third party investment manager AIA considers many factors including the following items.

- Fees charged by the manager both directly and indirectly through commissions on trades and other expense.
- Turnover and its related costs and impact on overall performance.
- Management tenure
- Use of leverage and the related increase risks associated with leverage.

- Track record of the manager both in the current strategy and with prior firms and prior funds.
- Operational support at the firm level.
- Interviews and at time on site visits are completed with representatives from the firms to discuss these factors. Additionally AIA uses databases such as Bloomberg and Morningstar Principia to assist with the quantitative due diligence.
- AIA also consults with an independent institutional consultant before finally approving an investment for client portfolios.
- AIA uses third-party databases such as Bloomberg and Morningstar Principia as a primary tool for initial screening, quantitative, and comparative of research of third party mutual funds, exchange-traded funds, and managers.

AIA has engaged Lowery Asset Consulting (“LAC”), a registered investment adviser located in Chicago, for consulting services. LAC provides AIA with due diligence and advice on (specific) managers and/or investments. AIA pays LAC a quarterly consulting fee for LAC’s services.

#### Risk of Loss

All investing involves a risk of loss that Clients should be prepared to bear. The identification of securities and other assets believed to be undervalued is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired by third-party managers. AIA cannot give any guarantee that it will achieve a Client’s investment objectives or that Clients will receive a return of its investment. Below is a summary of potentially material risks for each significant AIA investment strategy used, the methods of analysis used, and/or the particular type of security recommended.

- *Lack of Control* - AIA will not have a role in the management of Clients’ third-party managed accounts and it will likely not have the opportunity to evaluate in advance the specific investments made by any third-party managers. As a result, the rates of return to Clients will primarily depend upon the choice of investments and other investment and management decisions of third-party managers, and returns could be adversely affected by the unfavorable performance of such managers. AIA depends on third-party managers to develop the appropriate systems and procedures to control operational risks. Operational risks arising from mistakes made in the confirmation or settlement of transactions, from transactions not being properly booked, evaluated or accounted for or other similar disruption in operations may cause the Client accounts to suffer financial losses.

## **Disciplinary Information**

The Company and its employees have not been subject to any disciplinary action or judicial verdict in the past 10 years that would be material to a client’s evaluation of the company or its personnel.

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

Individuals associated with AIA or Argos Partners may offer or sell insurance products through

separate licenses as insurance agents. As licensed agents/owner, the individual(s) may receive commissions on insurance products sold. Mr. Paul Vogel, the CEO of Argos Partners, is the CFO and owns 12% of Millennium Insurance, an insurance brokerage firm. Any compensation received by Mr. Vogel from insurance purchased by AIA clients is remitted to Argos Partners. Clients will be under no obligation, contractual or otherwise, to engage the AIA' representatives as an insurance agent.

Paul Tice, Chief Investment Officer of Argos Investment Advisor, also services as the Financial and Operations Principal (FINOP) for Consolidated Financial Investments (CFI) in Clayton, MO. Mr. Tice receives a fixed consulting fee paid monthly, which is in turn paid to Argos Partners, LLC. Additionally, Mr. Tice's family owns approximately one-third of CFI. Further, in some cases, CFI receives "trailer" fees from mutual fund transactions that Argos executes through CFI. Argos has a conflict of interest in directing the execution of clients' trades to CFI as a result of the compensation arrangements disclosed above.

Mr. Vogel is a partner in the Vogel Law Firm, which may perform legal services for clients of Argos Partners and AIA. Messrs. Rich Kuehnle and Vogel own an accounting firm named Vogel, Kuehnle PC, which performs tax work for AIA clients.

As a result arrangements where additional compensation is received, a (potential) conflict of interest may exist with AIA clients' interests, as AIA and/or its related persons may be incentivized to advisory services or investment products based on compensation received, rather than on a client's needs. AIA is a "family office" adviser, so it is our business to review our clients' needs comprehensively (e.g. insurance, accounting, estate, investments, etc.). AIA has built itself to offer clients a comprehensive suite of services. AIA mitigates our conflicts primarily through our policy to act in the best interests of our clients and to disclose (potential) conflicts of interest to clients.

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

AIA's officers, partners and employees are permitted to purchase for their personal accounts the same securities that could be recommended to clients. For certain investments, such as a structured note, this (may) presents a conflict because the employee may be able to purchase the note due to the amount of notes bought by AIA clients (e.g. there is a minimum par amount to buy). To avoid and/or mitigate any potential conflicts of interest involving personal trades, AIA has adopted a Code of Ethics (the "Code") which includes a personal securities and insider trading policies and procedures. AIA's Code requires, 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 AIA above one's own personal interests;
- Adhere to the fundamental standard that you should not take inappropriate advantage of your position;



- Mitigate 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.

AIA's Code also requires access persons to: 1) pre-clear certain personal securities transactions; 2) report personal securities transactions on at least a quarterly basis, and; 3) provide AIA with a detailed summary of certain holdings (both initially upon commencement of employment and annually thereafter) over which such access persons have a direct or indirect beneficial interest.

A copy of the Code will be provided to any client or perspective client upon request.

The Company's current Chief Compliance Officer is Paul Tice. Mr. Tice is also engaged in providing advisory services to the Company's clients and his background and experience is summarized in the Brochure Supplement.

## **Brokerage Practices**

AIA's investment advisory business is focused on providing advice on third-party managers and mutual funds; however, occasionally (upon client direction), AIA may execute trades in individual securities on behalf of clients. It is AIA's policy to always seek best execution for client securities transactions. If a client currently uses a broker or custodian and is satisfied with the services, we generally keep the relationship intact. We have relationships with numerous brokers and custodians as a client convenience. If there is no preference from the client, we will determine if the investment manager who the client invests with has a preference and generally use their preferred custodian. If the client and the investment manager offer no preference then we will typically recommend Consolidated Financial Investment ("CFI"), which is a correspondent of JP Morgan. The ultimate decision is made by the client. Periodic surveys are conducted to ensure pricing is in line with the service level provided for each account. Clients who have directed that we use particular brokers (including CFI) are advised that such a direction of brokerage may result in their receiving less favorable executions in certain transactions, or in their paying higher transaction costs either in individual transactions or in the aggregate. Although it is AIA's policy to always seek best execution for client trades, in such a directed brokerage arrangement, the Firm may not be free to seek best price and execution by placing transactions with other brokers or dealers. Accordingly, the client should consider whether that arrangement may result in disadvantages to the client that are not outweighed by the value of custodial and other services provided by that broker.

In the event a client grants AIA discretion as to which broker to use in effecting transactions, AIA's primary consideration will be the broker's ability to provide best execution of trades. In making a decision about best execution, Advisor may consider a number of quantitative and qualitative factors including, but not limited to, the following (in no order of importance): trade execution price and commission, opportunity for price improvement, anonymity, liquidity, speed of execution, expertise with difficult securities, trading style and strategy, the number of errors committed by each broker, custodial services, and the quality of research services the broker may provide. Although Advisor generally seeks reasonably competitive commission rates, it does not seek formal competitive bidding and does not necessarily direct transactions to brokers that charge the lowest commission rates. The commission rates paid to any broker for execution of transactions will be determined through negotiations with the broker, taking into account industry norms for the size and type of transaction, and the nature of brokerage and research services provided.

AIA does not maintain any formal soft dollar arrangements with brokers. However, as a result of trading with broker-dealers, AIA may receive research and/or brokerage products and services from broker-dealers. AIA's policy is for such products and services to fall within Section 28(e). In conjunction with AIA's periodic best execution analyses, AIA will review products and services received from broker-dealers to ensure AIA is in compliance with the safe harbor of Section 28(e); further, AIA will make a good faith determination that the value of the brokerage and research services obtained is reasonable in relation to the amount of the commissions paid.

Since AIA provides individualized investment advice to clients, in most cases AIA will not be in the position to aggregate client orders; therefore, transactions for each client account generally will be effected independently. AIA may aggregate Client trades when such aggregation is expected to be in the best interest of all participating Clients (e.g. structured notes). AIA's allocation policy is to seek to allocate investment opportunities among clients in the fairest possible way, taking into account clients' best interests. AIA will not favor or discriminate against any client or group of clients.

Advisory clients are not responsible for the payment of trade errors committed by AIA in conjunction with the management of client accounts. Any gain resulting from a trade error will be retained by the advisory client.

## **Review of Accounts**

Paul N. Tice or Robert P. Ensor will review the accounts of the Company's client(s) at a minimum of every six months and typically quarterly, shortly after the completion of each calendar quarter. Independent accountants will review the Company's accounts within 150 days of the completion of a fiscal year.

Reviews entail a review of client holdings, discussion of any investment recommendations, discussion with the client on their risk tolerance and investment horizon, as well as at minimum an annual review of the client's financial statements as prepared by the independent accountants.

Reports will be provided to the Company's clients (and the equity owners of such clients) on a quarterly basis or if otherwise, upon request, provided that such reports are available or can be generated without unreasonable expense to the Company. Further, specific reports may be described in a client's investment advisory agreement.

Investors in the Alpha Fund receive a copy of the fund's annual audited financial statements.

## **Client Referrals and Other Compensation**

The Company does split fees for legacy clients that were introduced by CFI to the Company. This relationship applies to smaller existing clients who were originally referred to AIA by CFI. No new referral relationships are contemplated going forward.

## **Custody**

All client assets are held in custody by qualified custodians; but AIA or its related persons can access certain clients' accounts through: 1) the ability to debit advisory fees; 2) check writing/DTC authority maintained over certain client accounts (e.g. bill pay services); 3) serving as trustee or co-trustee to certain client accounts, and; 4) serving as manager to the Alpha Fund. For these reasons, AIA is considered to have custody of certain clients' assets. With the exception of the Alpha Fund, qualified custodians send account statements directly to the account owners on at least a quarterly basis. Clients should carefully review these statements, and should compare these statements to any account information or statements provided by the Company.

Members of the Alpha Fund will not receive quarterly statements from a qualified custodian. Instead the Alpha Fund is subject to an annual audit and the audited financial statements are distributed to each member. The audited financial statements should be prepared in accordance with generally accepted accounting principles and distributed within 120 days of the partnership's fiscal year end.

## **Investment Discretion**

From time to time, certain clients of AIA may authorize AIA to provide discretionary investment advice for (portions of) an account(s). Certain clients have granted AIA trading discretion through the execution of a limited power of attorney included in AIA's advisory contract.

The Applicant, as the Manager of the Alpha Fund, has full discretionary powers over the Fund, subject only to the Fund Operating Agreement. As the Manager of the Fund, a limited liability company which, under Missouri law, can act (in most circumstances) only through action of its Manager, the Applicant provides its client's specific consent.

Clients can place reasonable restrictions on AIA's investment discretion. For example, some clients have asked AIA not to buy securities issued by companies in certain industries, or not to sell certain securities where the client has a particularly low tax basis.

## **Voting Client Securities**

AIA's policy is that it does not exercise voting authority with respect to Client securities. Clients are responsible for voting any such proxies. Clients should contact their custodian with questions about receiving proxies and process for the client to execute voting on such proxies. For certain legacy clients, AIA receives proxies and forwards them to the client.

## **Financial Information**

AIA has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.