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**FORM ADV PART 2A**  
**BROCHURE**

**This brochure provides information about the qualifications and business practices of Daniel G. Pappano. If you have any questions about the contents of this brochure, please contact Daniel G. Pappano at (847) 340-1614 and at [dpappano@gmail.com](mailto:dpappano@gmail.com). 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 Daniel G. Pappano is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for the Adviser is 119142.**

**Daniel G. Pappano is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.**

**March 31, 2011**

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## **Advisory Business**

### **Advisory Services**

Daniel G. Pappano (“Pappano” or “Adviser”) is a sole proprietorship owned by Daniel G. Pappano. It has been registered as an SEC adviser since 2003.

Pappano provides discretionary portfolio management services to advisory clients. Portfolio decisions or recommendations are made according to the investment objectives sought by the client, the client’s risk tolerances, client-imposed investment restrictions and other client specific circumstances specified by the client either in writing or in direct conversations with the client. Pappano will manage portfolios that are all equity, all fixed income, or a combination of both types of securities (i.e. balanced portfolios).

Prior to engaging Pappano to provide investment advisory services, the client will be required to enter into one or more written agreements with Pappano setting forth the terms and conditions under which Pappano shall render its services (the “Agreement”). In addition, Pappano may only implement its investment management recommendations after the client has arranged for and furnished Pappano with all information and authorization regarding accounts with appropriate financial institutions. In particular, Pappano conducts in person meetings to determine clients’ risk tolerance and investment objectives. Generally, Pappano does not allow clients to put restrictions upon the discretionary management of their account.

Financial institutions where clients custody assets shall be held include, but are not limited to, Schwab Institutional, any other broker-dealer recommended by Pappano, broker-dealer directed by the client, trust companies, banks, etc. (collectively referred to herein as the “Custodian(s)”).

The client may make additions to and withdrawals from the account at any time, subject to Pappano’s right to terminate an account. Clients may withdraw account assets on notice to Pappano, subject to the usual and customary securities settlement procedures. Pappano’s clients are advised to properly notify him if there are ever any changes in their financial situation or investment objectives. Clients’ may terminate the Agreement upon 30 days written notice to Pappano.

### **Assets Under Management**

As of December 31, 2010, Pappano had \$40,000,000 under management in 20 accounts on a discretionary basis.

## **Fees and Compensation**

### **Advisory Fees**

Advisory fees are based on a percentage of assets under management and are payable quarterly in arrears. Accounts opened or closed during a calendar quarter will have the fee pro-rated. Generally, fees are calculated based on the market value of the assets in the client's account on the last trading day of the quarter, as reported by the broker-dealer custodian of the client's account on the monthly account statement. For those rare occasions where non-traded assets are part of a client's holdings, Pappano will usually value such assets at cost unless there is objective evidence of a different value to use. For all accounts, clients authorize Pappano to withdraw the quarterly advisory fee directly from the broker-dealer custodian of the client's account, in which case the broker-dealer custodian will send the client a monthly account statement which will detail the fee payment. It is the client's responsibility to verify the accuracy of the fee calculation and the custodian will not determine whether the fee is properly calculated.

Pappano's standard fee schedule calls for a fee of 1.00% per year (0.25% per quarter) of assets under management by Pappano. When a client has more than \$2,000,000 under management with Pappano, the fee is negotiable. Pappano, in his sole discretion, may also negotiate fees based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, pro bono activities, etc.).

### **Transaction Costs**

Clients may pay brokerage commissions, transaction fees, and custodial fees to the Custodian as part of the management of their account. In addition, Pappano may buy mutual funds for clients. Mutual fund shareholders pay an advisory fee to the adviser to the mutual fund along with transaction costs and custodial fees. These costs are in addition to the management fee already paid by the client to Pappano.

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

Pappano does not charge performance-based fees.

### **Types of Clients**

Pappano serves as an adviser for individuals and prefers that each client have a minimum net worth of \$3,000,000 or liquid assets of at least \$500,000.

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

Pappano uses fundamental and technical methods of analysis. Pappano obtains information from financial newspapers and magazines, research materials, annual reports, company filings and press releases. Pappano primarily implements its investment strategy through long term purchases, but at times will also utilize short term purchases and sales.

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, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, 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.

### **Disciplinary Information**

Neither Pappano nor its owner Daniel G. Pappano has any disciplinary information to report.



### Other Financial Industry Activities and Affiliations

Daniel Pappano practices as an Illinois licensed attorney and a certified public accountant. Some advisory clients of Pappano are also legal and accounting clients. Clients are required to enter into a separate agreement with Pappano as a lawyer or accountant to receive legal or accounting services from Mr. Pappano. The relationship between Pappano, the lawyer or accountant, and advisory client does not create any conflicts of interest because in all capacities Pappano are fiduciaries and proponents for his clients, and serve only the clients' best interests in an objective manner.

In addition, he is the co-manager of Eastlake Virginia LLC, Keenan-Clyborn, LLC, Keenan-Ontario LLC, and Keenan-GBZ, each of them a single purpose entity invested in a limited partnership which owns real estate. As co-manager, Pappano is responsible for the periodic distributions to members of the companies and the filing of the companies' tax returns. An advisory client of Pappano may be a member of the LLCs. As co-manager he receives a fee for his work which is disclosed in the section of this ADV, Referrals and Other Compensation.

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

### **Code of Ethics**

Pappano has adopted a Code of Ethics (“Code”) pursuant to Rule 204A(1) of the Investment Advisers Act. The Code is based on the principles that (i) as an investment adviser, Pappano owes a fiduciary duty to his clients to conduct his personal transactions in securities in a manner which does not take unfair or inappropriate advantage of his relationship to a client; (ii) in complying with this fiduciary duty, he owes clients the highest duty of trust and fair dealings; and (iii) as an advisor, he must place the interests of clients ahead of his own personal interests or the interests of others. A copy of the Code is available to clients upon request.

The Code covers such issues as the confidentiality of client information, the receipt and delivery of gifts, and the personal securities trading of access persons at Pappano. The personal securities trading procedures require prior approval of the purchase of an initial public offering security or a private placement security. They include the reporting on an annual and quarterly basis of all securities transactions of Pappano’s access persons. Finally, the procedures require the retention of these reports as well as acknowledgments of receipt of the Code by the access persons at Pappano.

### **Personal Trading**

Pappano may buy or sell securities also held by clients. When buying or selling a security for a client, Pappano may participate with advisory clients in a block trade will not trade in such security before the client’s transaction is completed.

Pappano may buy and sell securities on a short term basis while maintaining a long-term perspective for clients in order to meet their investment objectives. Pappano will engage in trading techniques or buy certain or sell securities that he may not recommend to clients. In addition, he may take and/or hedge, positions that different from his clients’ positions in certain securities.

## **Brokerage Practices**

### **Brokerage Practice Generally**

In determining the ability of a broker-dealer to obtain the best execution for securities transactions, Pappano considers a number of factors, including (but not limited to) the commissions charged, the execution capabilities necessary for a transaction, the importance of speed, efficiency and confidentiality, the broker's apparent familiarity with sources from whom particular securities may be purchased from or sold to, the broker's ability to service the banking needs of the client, and reputation and perceived soundness of the broker.

In most instances, clients do not direct Pappano to use a particular broker or dealer. In these circumstances, Pappano will recommend that the client's account be established with the same broker-dealer that Pappano uses for the vast majority of his trading, in order to take advantage of pre-negotiated low commission rates and special services (e.g., wire transfers, etc.) that are available. The final decision on selecting a broker-dealer remains with the client. Similarly, Pappano informs clients of the commissions charged by a particular broker-dealer, and the client either accepts them or instructs Pappano to try to negotiate better commission or to use another broker-dealer.

### **Soft Dollars**

Pappano utilizes a few broker-dealers to effect clients' trades. Pappano has access to the software of the respective broker-dealer for the purpose of client performance review and reporting. This is the only economic benefit that Pappano receives from a non-client in reference to clients' transactions.

### **Block Trading**

Frequently, Pappano is in the position of buying or selling the same security for a number of clients at approximately the same time. Because of market fluctuations, the prices obtained on such transactions on a single day may vary substantially. In such situations, some clients will receive prices more favorable than others. To more equitably allocate the effects of such market fluctuations, Pappano may use an averaging procedure for certain transactions, under which purchases or sales of a particular security will be combined (or "batched") for all accounts trading in the security on the same day. In such cases, the prices shown on confirmation reports for purchases and sales will be the average execution price for the batch. In certain situations, batched orders entered by Pappano may not be completely filled, and in such an event, Pappano will generally allocate the completed

portion of the order in a manner that will complete the smaller orders first, unless Pappano believes that the large orders cannot be filled in the next day or two at the same or better prices, in which event the completed portion will be allocated on an approximate pro rata basis.

### **Directed Brokerage**

A client may direct Pappano to use a particular broker or dealer to execute transactions under terms and arrangements that the client has negotiated with the broker or dealer. Where a client directs Pappano to use a particular broker-dealer, Pappano may not be able to negotiate the lowest commissions or spreads for the client, or to achieve best execution for trades. In addition, transactions for a client who has directed Pappano to use a certain broker may not be batched for purposes of execution. Accordingly, the designation by a client of a particular broker or dealer may result in higher commissions, greater spreads or less favorable prices than might be realized if Pappano had been or is empowered to select a broker and negotiate for the best commission.

### **Brokerage for Client Referrals**

Pappano does not direct brokerage in exchange for client referrals.

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## **Review of Accounts**

Pappano monitors client portfolios as part of an ongoing process while regular account reviews are conducted on at a minimum, a quarterly. Daniel Pappano conducts such reviews. All investment advisory clients are encouraged to discuss their needs, goals and objectives with Pappano and to keep Pappano informed of any changes thereto. Pappano shall contact ongoing investment advisory clients at least annually to review his previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for their client accounts. Pappano may, from time to time, provide performance reports to clients. If he sends statements to clients, they will contain the footnote that urges clients to compare the information within Pappano's reports with the information found in the clients' custodial statements.

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

Pappano is the co-manager of Eastlake Virginia LLC, Keenan-Clyborn, LLC, Keenan-Ontario LLC, and Keenan-GBZ, each of them a single purpose entity invested in a limited partnership which owns real estate. As co-manager, Pappano is responsible for the periodic distributions to members of the companies and the filing of the companies' tax returns. An advisory client of Pappano may be a member of the LLCs. As co-manager he receives a fee for his work.

Pappano does not directly or indirectly compensate any person for client referrals.

## **Custody**

Pappano does not maintain custody of advisory client funds, securities or assets except in its capability, and by agreement with the client, to debit client fees directly from client accounts. Accordingly, Pappano only maintains custody, as now defined by the custody rule under the Investment Advisers Act of 1940, for the purpose of directly debiting advisory fees. Furthermore, Pappano ensures that clients' assets are held by "qualified custodians" and that the custodian is sending to the client directly, at least quarterly, statements of the client accounts.

Pappano urges clients to review these statements for accuracy and timeliness..

### **Investment Discretion**

Pappano may exercise discretion over the specific securities to be bought or sold, the amount of securities to be bought or sold and the particular broker-dealer to be used for such transactions. Pappano will have authority to exercise full direction in the above-named factors without restriction. Pappano also will observe any specific limitations imposed by the client in relation to this discretion. Pappano does not accept non-discretionary accounts.



### **Voting Client Securities**

As a matter of policy, Pappano does not vote clients' proxies. If clients have any questions regarding the voting of their securities, they should contact their custodian.

### **Financial Information**

Pappano has not been the subject of a bankruptcy petition at any time nor does Pappano have any financial circumstance to report.

## **Additional Information/Privacy Policy**

### **DANIEL G. PAPPANO**

#### **PRIVACY NOTICE**

Daniel G. Pappano ("Pappano") maintains physical, electronic, and procedural safeguards that comply with federal standards to protect its clients' nonpublic personal information ("information"). Through this policy and its underlying procedures, Pappano attempts to secure the confidentiality of customer records and information and protect against anticipated threats or hazards to the security or integrity of customer records and information.

It is the policy of Pappano to restrict access to all current and former clients' information (i.e., information and records pertaining to personal background, investment objectives, financial situation, tax information/returns, investment holdings, account numbers, account balances, etc.) to those employees and affiliated/nonaffiliated entities who need to know that information in order to provide products or services to the client. Pappano may disclose the client's information if Pappano is: (1) previously authorized to disclose the information to individuals and/or entities not affiliated with Pappano, including, but not limited to the client's other professional advisors and/or service providers (i.e., attorney, accountant, insurance agent, broker-dealer, investment adviser, account custodian, etc.); (2) required to do so by judicial or regulatory process; or (3) otherwise permitted to do so in accordance with the parameters of applicable federal and/or state privacy regulations. The disclosure of information contained in any document completed by the client for processing and/or transmittal by Pappano in order to facilitate the commencement/continuation/termination of a business relationship between the client and a nonaffiliated third party service provider (i.e., broker-dealer, investment adviser, account custodian, insurance company, etc.), including information contained in any document completed and/or executed by the client for Pappano (i.e., advisory agreement, client information form, etc.), shall be deemed as having been automatically authorized by the client with respect to the corresponding nonaffiliated third party service provider.

Should you have any questions regarding the above, please contact Dan Pappano at (847) 340-1614.

