

**Form ADV Part 2A**

**Dane, Falb, Stone & Co., Inc  
Disclosure Brochure  
March 30, 2012**

Dane, Falb Stone & Co, Inc  
50 Congress Street, Suite 642  
Boston, MA 02109

Telephone Number 617-742-0666  
Fax Number 617-742-2304

Mailing Address P.O. Box 9745  
Boston, MA 02114

This brochure provides information about the qualifications and business practices of Dane, Falb, Stone & Co., Inc. If you have any questions about the content, please contact us at 617-742-0666. 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 Dane, Falb, Stone & Co., Inc also is available on the United States Securities and Exchange Commission website [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).

## **Item 2 - Material Changes**

There have been no material changes made to the brochure since the 2011 annual update.

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#### **Item 4 - Advisory Business**

Dane, Falb, Stone & Co., Inc. is a Boston, Massachusetts-based investment advisory firm and has been in business since August 1977. The officers of Dane, Falb, Stone & Co., Inc., Edward N. Dane and Peter L. Falb, determine the general and specific investment advice given to clients. Edward N. Dane, born 1935, Harvard AB degree 1957, President and Director, Dane, Falb, Stone & Co., Inc. since 1977. Peter L. Falb, born 1936, Harvard AB degree 1956, Harvard MA degree 1957, Harvard PhD degree 1961; Treasurer and Director, Dane, Falb, Stone & Co., Inc. since 1977; Treasurer Barberry Corp. 1968-1985 and Professor, Brown University 1967 to present.

Dane, Falb, Stone & Co., Inc. provides general investment management for a limited number of clients whose principal concerns are the protection, preservation and enhancement of the purchasing power to their capital. The officers of Dane, Falb, Stone & Co., Inc. seek to develop an overall strategy for each client based on the client's needs and provide continuous advice on specific securities which they feel best meet the client's objectives.

In addition to general portfolio management, the company specialized in managing portfolios constructed of convertible securities and written options.

Clients are given the choice of allowing Dane, Falb, Stone & Co., Inc. full discretion or requiring prior approval for transactions within their accounts. However, unless specifically authorized to do so, Dane, Falb, Stone & Co., Inc. will not undertake any naked option position nor sell short any positions which are not fully protected by underlying securities.

Dane, Falb, Stone & Co., Inc. has entered into wrap fee program agreements with Morgan Stanley Smith Barney (hereinafter referred to as "BROKER") and certain clients of each BROKER under which such clients choose Dane, Falb, Stone & Co., Inc. as investment adviser and BROKER as broker, pursuant to which the client pays to BROKER an annual fee of not more than 2.0% of the net asset value of the client's account to cover brokerage commissions and investment advisory services. From that fee, BROKER pays Dane, Falb, Stone & Co., Inc. an annual fee of not more than 1.0% of the net asset value of the account as an investment advisory fee. Such 1.0% fee is payable quarterly in advance. Dane, Falb, Stone & Co., Inc. issues orders covering portfolio transactions directly to BROKER. If the account is terminated, the pro rata portion of any prepaid fee is rebated to the client.

As of December 31, 2010, Dane, Falb, Stone & Co., Inc. managed 1 account totaling \$1,412,060 on a non-discretionary basis. In addition, Dane, Falb, Stone & Co., Inc. managed 48 accounts totaling \$33,526,942 on a discretionary basis.

#### **Item 5- Fees and Compensation**

Fees for investment management are based on a percentage of the assets under management and (except wrap fee program) are payable at the end of each three month period or at the end of

each six month period, which coincides with the furnishing of account appraisals at an annual rate not exceeding 1 ½% of the first \$100,000 and 1% of the account values in excess of \$100,000 or, in certain cases, a lesser rate as determined by negotiation between the client and the firm. Clients may select have their fees either deducted from their account or billed directly. If the account is terminated prior to the period ended, a pro rata portion of fee is charged to the client

#### **Item 6 – Performance Based Fee and Side-by-Side Management**

Dane, Falb, Stone & Co. Inc does not charge or accept performance-based fees.

#### **Item 7 - Types of Clients**

Dane, Falb, Stone & Co. Inc. currently provide investment advice to individuals, individual's retirements, trusts, charitable organizations, pension and profit sharing plans and corporations. Except in certain unusual cases, the minimum-sized managed account is \$100,000.

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

Dane, Falb, Stone & Co., Inc. relies primarily on fundamental analysis in evaluating securities to meet its clients' needs. Economic analysis focuses on Federal Reserve Board policies and monitoring money supply and levels of consumer confidence. Individual security analysis focuses primarily on company assets, cash flow and to a lesser degree on earnings projections. Dane, Falb, Stone & Co., Inc. monitors over 200 large, well-managed, American companies in a number of industries. Selection of companies for investment is normally made among those which sell at a reasonable value in relation to assets, earning power, and management skills.

Dane, Falb, Stone & Co., Inc. relies on a wide range of information in formulating investment strategy for the clients. In addition to the judgment and personal experience of the officers, the Applicant receives Corporate reports (including Form 10K) from the companies it follows, a number of financial newspapers and magazines, Government periodicals and other research materials, including computerized data bases.

Principal emphasis is placed on long-term purchases among diverse investment media including, but not limited to, equities of U.S. companies, debt issues of major U.S. companies and government agencies, fixed income securities and convertible securities, including preferred stock, convertible bonds and warrants. Other strategies include option writing and convertible arbitrage, except that unless specifically authorized, option writing is limited to covered positions and short sales to protected positions.

Investing in securities involves risk of loss that clients should be prepared to bear. Dane, Falb, Stone & Co., Inc. does not recommend a particular type of security to clients. In order to reduce the possibility of loss, Dane, Falb, Stone & Co., Inc. believes in diversifying its client assets so that no one security represents a significant percentage of the total portfolio.

### **Item 9 - Disciplinary Information**

SEC registered investment advisors are required to disclose all material facts related to any legal or disciplinary events that are material to our clients' evaluation of the integrity of our management.

Dane, Falb, Stone & Co., Inc. has no legal or disciplinary events to disclose.

### **Item 10 - Other Financial Industry Activities and Affiliations**

Edward N. Dane and Peter L. Falb, the officers, directors and stockholders of Dane, Falb, Stone & Co., Inc., who are also the sole owners of Eaglerock Corporation, which is the general partner of Firethorn II Limited Partnership ("Firethorn II"), which in turn is the general partner of Firethorn I Limited Partnership ("Firethorn I") have solicited the investment in Firethorn I and Firethorn II in private placements by highly qualified and wealthy investors, some of whom are clients of the Dane, Falb, Stone & Co., Inc. The business of Firethorn II is to act as general partner of Firethorn I in which it has invested \$918,260.

### **Items 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Dane, Falb, Stone & Co., Inc. has adopted a Code of Ethics in accordance with Rule 204A-1 of the Investment Advisers Act of 1940 (the "Code of Ethics"). The Code of Ethics sets forth (i) general principles regarding the ethical business conduct, (ii) policies and procedures for the protection of material non-public information and (iii) internal reporting of violations of the Code of Ethics and Securities laws. In addition the Code of Ethics requires Dane, Falb, Stone, & Co., Inc.'s "Access Persons" (as defined in the Code of Ethics) to (i) quarterly report their personal securities transactions and (ii) annually report their personal securities holdings to the chief compliance officer or other designated persons. The Code of Ethics requires Dane, Falb, Stone & Co., Inc. to review these reports to allow identification of improper trades or patterns of trading by the Dane, Falb, Stone & Co., Inc.'s Access Persons.

Dane, Falb, Stone & Co., Inc.'s Code of Ethics requires that Access Persons obtain Dane, Falb, Stone & Co.'s approval before investing in an initial public offering or private placement.

Dane, Falb, Stone & Co., Inc.'s General policy is that officers, directors and stockholders shall endeavor to avoid personal investments in publicly traded securities being recommended to or purchased or sold on behalf of clients. Where such securities are held in the personal account of an officer, director or stockholder, or member of their immediate families, the client will be fully advised of such holdings. Whenever an officer, director or stockholder of their immediate family holds purchases or sells a recommended security or one purchased or sold on behalf of a client, transactions for clients will be entered first.

Dane, Falb, Stone & Co., Inc. periodically provides training and education programs to its Access Persons and employees regarding the Code of Ethics and applicable laws. Dane, Falb, Stone & Co., Inc. periodically reviews the effectiveness of its Code of Ethics. A full copy of Dane, Falb, Stone & Co., Inc.'s Code of Ethics is available on request.

### **Item 12 - Brokerage Practices**

The majority of Dane Falb, Stone & Co., Inc clients have established brokerage arrangements and instruct Dane Falb, Stone & Co., Inc to use those established relationships. In such cases, the account may pay higher commissions or receive less favorable prices and executions than if Dane Falb, Stone & Co., Inc had been free to choose the broker and to negotiate transaction terms. If the broker has custody of client assets, clients may be charged directly for custodial services or indirectly for such services through higher commission rates. In a few cases, brokerage is suggested by the Dane Falb, Stone & Co., Inc, primarily on the basis of execution capabilities, competitive pricing and willingness to provide additional services at no additional cost to the client, such as research reports and monitoring performance. Research reports would be those for positions held in the client's account, as well as general industry and economic research.

Dane Falb, Stone & Co., Inc. tries to assure that the commissions paid for any brokerage which it recommends are competitive, reasonable and based solely on execution.

Dane Falb, Stone & Co., Inc. has a so-called "Soft Dollar" Agreement with UBS Financial Services Inc. whereby after meeting the criteria in the foregoing two paragraphs, Dane, Falb, Stone & Co., is credited with soft dollars which in turn are used to purchase research services. These services are used in the decision-making process for all clients.

In the course of managing a number of accounts for clients with established brokerage arrangements, Dane, Falb, Stone & Co., Inc. receives research from a number of brokerage firms. This research is used along with other material in determining investment strategies and policies for all of the firm's clients.

Research received by Dane Falb, Stone & Co., Inc is in no way related to the commissions paid, which are solely for the execution of trades within each client's account.

### **Item 13 - Review of Accounts**

Review of accounts under management by Dane, Falb, Stone & Co., Inc. is performed on a periodic basis by the officers of the firm. Normally accounts are reviewed monthly, with more frequent reviews if individual accounts, or overall economic conditions warrant. In addition, all securities in portfolios under management are reviewed on a daily or price change basis.

Approximately 90% of clients receive quarterly appraisals of their accounts, together with comments on overall performance towards their specific objectives. The other clients, at their

own request, receive such appraisals and comments only semi-annually. In addition, clients receive written or oral communications of any matters of significant importance to their accounts, and would normally expect to have frequent meetings or telephone conversations with the officers of the firm during the year.

#### **Item 14 – Client Referrals and Other Compensation**

Not Applicable

#### **Item 15 - Custody**

Dane, Falb, Stone, & Co., Inc. manages a limited partnership and is deemed to have custody of the assets of that partnership. Partnership investors receive account statements directly from the qualified custodian who custodies the assets. Investors should review their statements carefully.

#### **Item 16 - Investment Discretion**

Clients are given the choice of allowing Dane, Falb, Stone & Co., Inc. full discretion or requiring prior approval for transactions within their accounts. Clients sign a limited power of attorney in the investment management agreement granting Dane, Falb, Stone & Co., Inc. limited or full discretion.

#### **Item 17 - Voting Client Securities**

It is the policy of Dane, Falb, Stone, & Co., Inc. to not exercise voting authority for proxies and corporate actions related to assets held by clients. The officers think the most effective course of action is for individual clients to vote their own proxies. If clients ask for advice on specific proxy, etc. issues, Dane, Falb, Stone & Co., will provide assistance.

In the event that a client asks Dane, Falb, Stone & Co., Inc. to vote their proxies and Dane, Falb, Stone & Co., Inc. agrees, Dane, Falb, Stone & Co., Inc. will follow the proxy voting regulations adopted by the Securities and Exchange Commission [Rule 206(4)-6] that are effective August 6, 2003. The rule(s) requires an advisor, if it exercises voting authority over client proxies to perform the following actions:

1. Adopt policies and procedures for voting proxies in the best interest of clients,
2. Describe the policy and procedures to clients and provide written copies if requested.
3. Inform clients how they may obtain information about how Dane, Falb, Stone & Co., Inc. has actually voted their proxies.



### **Item 18 – Financial Information**

SEC registered investment advisors who have discretionary authority or custody of client funds or securities are required to disclose any financial condition that is reasonable likely to impair the advisor's ability to meet contractual commitments to clients. Dane, Falb, Stone, & Co., Inc. has no financial condition that is reasonably likely to impair its ability to meet its contractual commitment to clients