



Chapin Asset Management, Inc.

Form ADV, Part IIA

(Revised August 22, 2012)

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NOTE: This brochure provides information about the qualifications and business practices of Chapin Asset Management, Inc. If you have any questions about the contents of this brochure, please contact us by telephone at 203-255-9993, x201 or by email at info@chapinasset.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 Chapin Asset Management, Inc. also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 - Material Changes

Date of Last Annual Update of this Brochure: June 22, 2012

Material Changes Made to Brochure Since Last Annual Update:

Item 8 has been expanded to include a discussion of material risks associated with a fundamental analysis and long-term investment strategy approach.

Item 16 has been updated to reflect that the firm's discretionary client base represents 84% of all assets under management.

Item 19 has been updated to include explanations of the Certified Trust and Financial Advisor and Certified Financial PlannerTM Designations.

Part 2B of Form ADV has been appended to this document for ease of conveyance to clients.

Non-Material Changes Made to Brochure Since Last Annual Update:

None

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Item 4 - Advisory Business

A. Founding and Ownership

Chapin Asset Management, Inc. was founded October, 1992 and commenced business operations on January 15, 1993. As of March 31, 2011, Chapin Asset Management, Inc. has been continuously operating in business for eighteen (18) years.

Chapin Asset Management, Inc. is a privately-held corporation, recognized as a Subchapter S Corporation by the Internal Revenue Service, and organized under the laws of the state of Delaware. Chapin Asset Management, Inc. is registered as a Non-Resident Corporation with the states of Connecticut and South Carolina.

Chapin Asset Management, Inc. is strictly a fee-based firm.

Firm Ownership

The common stock of the firm is owned 100% by Ronald A. Sages, CFP[®], CTFA, who resides at 21 Roberta Lane, Greenwich, Connecticut 06830. Ron is a firm co-founder and president, and has thirty nine (39) years of experience in the personal finance profession. (See Item 19 for detailed information on Mr. Sages' educational and professional background).

Hours of Operation; Holiday Schedule

Chapin Asset Management, Inc. operates on the basis of a forty (40) hour work week, fifty two (52) weeks each year. Its office hours are from 8:00 a.m. until 4:00 p.m. daily during the traditional work week (Monday through Friday). After hours meetings (weekends included) are available by appointment. Chapin Asset Management, Inc. follows the Annual Holiday Schedule as published by the New York Stock Exchange (NYSE).

B. Types of Advisory Services Offered

The firm and its accounts are managed by a single Principal, Ronald A. Sages, CFP[®], CTFA, who invests for a select number of wealth transfer protected and individual account relationships for clients.

Portfolio Management Services

Chapin Asset Management, Inc. ("CAMI") primarily provides investment management services to client relationships (multiple accounts per client or client family) that comprise a portion of the family's or individual's wealth. Chapin Asset Management's expertise is in the management of investable assets and their integration with wealth transfer (estate, gift and generation skipping), fiduciary income and individual income taxes. Representative firm clients are individuals and individual fiduciaries of personal and corporate trust entities, of decedents' estates, of qualified and non-qualified employee and welfare benefit plans, of individual retirement account arrangements, as an advisory agent on Directed Corporate Trust arrangements, and for individuals on an "asset monitoring" basis. Since founding in 1993, at least ninety (90%) percent of its annual billings have been derived from these investment supervisory activities.

Personal Financial Planning Services

Chapin Asset Management, Inc. also provides comprehensive and unbundled personal financial services for individuals and for teams of executives of client firms. Services include financial goal(s) definition, establishment of time horizon(s), determination of risk tolerance levels for individuals and couples, asset allocation strategies, creation of savings programs and implementation of strategies. The topical areas in which we provide advice and recommendations include personal income tax planning, risk management, estate planning, asset management, retirement planning, and cash flow analysis and budgeting. In addition to the above, the firm's Principal, Ronald A. Sages, CFP®, CTFA, guides clients in the resolution of money disorders and in the promotion of financial health behaviors.

Nature and Type of Investments Purchased and Followed for Clients

Examples of what we DO invest in for clients:

Investable assets owned for client accounts consist of publicly traded common and preferred stocks, master limited partnerships, exchange-traded funds, government, corporate and municipal bonds, U.S. Treasury Securities, money market mutual funds, and cash and equivalents. Other than money market mutual funds, equity and fixed income mutual funds are

not employed in the management of client accounts; all investments in client accounts are individual, publicly-traded securities. Investments owned are principally traded on securities exchanges in the United States of America. International exposure is obtained by investing in American Depositary Receipts (“ADRs;” securities of foreign companies that trade on U.S. exchanges).

Examples of what we DO NOT invest in for clients:

Chapin Asset Management, Inc. does not invest or trade in commodities, collectible assets, hedge funds, mutual funds, foreign currencies, initial public offerings or private limited partnerships.

C. Investment Approach/Style/Restrictions

As noted above, Chapin Asset Management, Inc. invests only in individual, publicly-traded, securities. This approach enables us to tailor our advisory services to the specific account that is being managed. Depending on the nature of the account, the production of current income or recognition of capital gains can have significant fiduciary income tax implications. Using individual securities, as opposed to equity/fixed income mutual funds, allows the manager to control the timing and recognition of these sources of taxable income. Further, certain trust entities, such as Charitable Lead Trusts, are subject to fiduciary income tax to the extent the taxable income generated exceeds charitable and administrative expenses.

D. Wrap Fee Programs

Chapin Asset Management, Inc. ***DOES NOT OFFER OR PARTICIPATE IN*** any wrap fee programs.

E. Assets Under Management (computed as of June 11, 2012)

		<u>Market Value</u>	<u>Number of Accounts</u>
Discretionary	\$	28,739,468.00	31
Non Discretionary	\$	<u>8,928,691.00</u>	<u>6</u>
Total	\$	<u>37,668,159.00</u>	<u>37</u>

Item 5 - Fee Schedule and Compensation

The fee schedules for services and a description of when they apply are explained below. Unless requested otherwise, fees will be deducted from client accounts ***with written client consent***. Compensation will be billed ***monthly, in arrears only***, on the basis of the fair market value of the account determined on the last business day of each month. Copies of all invoices, showing the calculation and the amount of the fee, will be sent to clients for review prior to retaining fees. At inception, compensation will be prorated from date of funding through the end of the first full month of management. Fees are not collected in advance for any service.

In instances where it is more effective for income tax purposes to invoice clients directly, a detailed invoice will be submitted directly to the client for payment. ***Invoices are due upon receipt. Any invoice remaining unpaid for more than forty five (45) days will be subject to interest at the rate of 1 1/4% per month or 15% per annum.***

Fees may be negotiated, in the discretion of the firm, on the basis of the extent of a family relationship or on the basis of the overall size of assets under management maintained by a client of the firm. Fees have been typically negotiated where the total size of the relationship under management with the firm exceeds \$10 million. Family relationships consisting of multiple accounts have been combined for fee purposes and the total fee is then prorated among the various accounts based on fair market value of each account.

When the firm is asked to work with directed brokers, or to manage assets held at custodian firms, which do not provide direct electronic interfaces for securities trading and transaction/pricing downloads to the firm's portfolio management system, an additional, negotiated fee will apply. This supplemental fee is typically in an amount sufficient to acquire a direct electronic interface between the custodian firm and Chapin Asset Management's portfolio management system.

Contracts for services may be terminated, by the client or by CAMI, at any time upon thirty (30) days' notice. Compensation will be prorated through date of termination.

Chapin Asset Management's fees for services **DO NOT** include brokerage commissions and other securities' exchange fees that are imposed on the purchase and sale of securities. These expenses are paid directly by the client to the custodian firm. Please refer to Item 12, below, for information regarding fees and costs imposed by custodian firms.

Fee Schedule - Asset Management Services

Accounts subject to the fee schedule listed below will have growth, total return or growth with modest income as the primary investment objective.

Value of Assets Under Management Annual Fee

On first \$3 million	1.00%
On next \$2 million	.75%
On next \$5 million	.50%
Over \$10 million	Negotiated

Schedule above *plus* \$1,000 **Base Fee, per account.**

Minimum Annual Fee (per account) \$7,500.00

Sample Fees for Select Size Stand alone Accounts:

<u>Estimated Account Value</u>	<u>Estimated Annual Fee</u>	<u>Average %</u>
\$ 100,000	\$ 7,500.00	7.500%
\$ 650,000	\$ 7,500.00	1.154%
\$ 1,000,000	\$11,000.00	1.100%
\$ 2,000,000	\$21,000.00	1.050%
\$ 3,500,000	\$34,750.00	0.993%
\$ 5,000,000	\$46,000.00	0.920%
\$ 7,500,000	\$58,500.00	0.780%

Fee Schedule – Personal Financial Planning Services

Chapin Asset Management, Inc. will render planning "fee for advice" and consulting services to individuals and corporations on a wide range of topics. Services to individuals include "unbundled personal financial planning" such as asset allocation, estate planning, retirement planning as well as comprehensive financial planning. Services to corporations include technical training, corporate retirement planning, endowment fund asset allocation and planned giving.

The firm will be compensated for its various advice and consulting services on the basis of an *hourly fee of \$200.00*, plus out-of-pocket expenses. Based on the scope of the engagement, a complete written quotation will be provided to the client *prior* to the execution of a contract for financial planning services. Total fees for the ongoing monitoring of plans developed by CAMI will be negotiated at the time the service is requested.

Item 6 - Performance-based Fees and Side-by-Side Management

Chapin Asset Management, Inc. does not impose or accept any performance-based fees of side-by-side management for any service rendered.

Item 7 - Types of Clients

Chapin Asset Management, Inc. primarily manages transfer-tax protected trust arrangements. Examples of the types of accounts currently or previously managed include Gallo-type Trusts, Credit Shelter Trusts, Q-Tip Marital Trusts, Charitable Lead Trusts, Charitable Remainder Trusts, Generation-Skipping Exempt Trusts, funded Crummey-type Trusts, Revocable Trusts, Grantor Retained Trusts, Rollover Individual Retirement Accounts, Agency Accounts for Family Limited Partnerships and Individual investment portfolios.

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

While the firm intends to use a "fundamental" approach in the management of clients' assets, the ultimate investment strategy designed and implemented will be customized to the needs of the individual client and will be respectful of the transfer planning technique within which the assets are being managed. The client and/or trust entity's objective, income and transfer tax position and the original intent of the trust's creator (grantor) will be thoroughly analyzed and will impact the asset allocation strategy of a given planning vehicle.

The firm intends to manage assets for clients with a focus on wealth transfer planning considerations. Thus, the motivation for creating, and ultimate objective of, a trust entity will bear great weight in the design and implementation of its portfolio strategy. The duration of the trust, current and future needs of the income beneficiary(ies) and the needs and expectations of the ultimate trust remaindermen will impact the formulation of the investment strategy.

Chapin Asset Management, Inc. employs a "top down" approach to the design of a portfolio for the benefit of each client. A "top down" approach entails a determination of percentages of the portfolio that will be allocated to specific asset classes (domestic equities, foreign equities represented by ADRs, real estate represented by real estate investment trusts, fixed income securities, cash and equivalents). With the determination of asset allocation, we will focus next upon sectors within each asset class. For equities, we use the Standard & Poors 500 Index Sectors to make this determination. Depending upon market conditions at the time of investment, we may overweight, market weight or underweight any given sector. For fixed income, we will look at traditional fixed income (governments, corporate and municipal bonds) as well as fixed income substitutes (preferred stocks, utilities) in order to satisfy the allocation to this asset class. Once these determinations have been made, we will then look to specific securities to implement the strategy.

Chapin Asset Management's fundamental philosophy is that asset allocation is the primary determinant of portfolio performance (approximately 93.6% of portfolio returns¹) and, as such, is the single most important decision in the investment management process, with sector weightings and specific security selection representing the remaining 6.4% of portfolio returns. As taxable portfolio specialists, we also focus upon strategies designed to maximize net, after tax returns. We believe strongly that it is not what you earn, but what you get to keep and enjoy, that

is the ultimate objective. Net returns constitute gross returns less asset management fees, brokerage commissions, and applicable taxes. Last, we believe that the friction² caused by excessive trading, defined for our firm's purposes as greater than 25% per year, does about as much "damage" in terms of eroding ultimate portfolio values as would be incurred if turnover reached 100% per year. Consequently, we are especially judicious in the companies that we acquire on behalf of clients and we strive to minimize turnover, especially that which occurs within or less than one year from date of acquisition. Most of the accounts we manage as noted in Item 4 consist of personal trust arrangements, most of which become separate income taxpayers. Personal trust arrangements reach the top federal bracket of 35% at only \$11,650 of ordinary and short term capital gain income. Since most states have now enacted fiduciary income tax rates as well, the entire bite due to federal and state fiduciary income taxes in a given year can well exceed 40% for being an impatient investor. Thus, as noted, we take pains to minimize portfolio turnover.

We typically seek client relationships with a minimum duration of 5 years; **we are long-term investors**, and we do not engage in short term or day trading strategies to achieve client financial goals. It is our belief that a full market cycle will encompass approximately five years' time; we therefore expect that returns will improve the longer the time period being measured.

Risks

There are several material risks associated with a fundamental analysis, long-term strategy approach to investing. Fundamental analysis entails reviewing information that is released in the public domain by each public company concerning its financial performance, projections for the future, transition plans, governance policies and regulatory scrutiny. Additional information on publicly-traded companies includes published analysis by other research institutions, the financial press and financial commentators. Companies can and do occasionally make unintended mistakes in the information that is released to the public. Other financial analysts and the financial press also make mistakes and may be in error in the information that they report. Fundamental analysis that is based upon information that may be erroneous can lead to incorrect projections and conclusions surrounding a firm's performance, currently or in the future. Further, regardless of the accuracy of fundamental analysis or a long-term investment approach, macro economic and political events may overshadow the best

analysis, causing a decline in the securities markets for a limited or prolonged period of time. These events cannot be consistently predicted with accuracy; economies of domestic United States and foreign countries are subject to cyclical periods of expansion and contraction.

Notwithstanding the above, investing in all securities carries risk that cannot be completely diversified or eliminated. Principal (the original purchase price at acquisition) is not stable and cannot be guaranteed.

Footnotes:

¹Brinson, G, Hood, L. R., & Beebower, G. L. (1986). Determinants of portfolio performance. *Financial Analysts Journal*, 42(4), 39-44.

²Jeffrey R. H., & Arnott, R. D. (1993). Is your alpha big enough to cover its taxes? *The Journal of Portfolio Management*, 19(3), 15-25.

Item 9 - Disciplinary Information

Neither Chapin Asset Management, Inc. nor any of its principals or employees has been the subject of, or involved in, any criminal or civil action, either domestically or in a foreign jurisdiction. Similarly, neither the firm nor its principals or employees have either been involved in an administrative proceeding before the SEC or any other federal or state regulatory agency or foreign financial regulatory authority. Further neither the firm nor its principals or employees have ever been involved in any self-regulatory organization proceeding.

Item 10 - Other Financial Industry Activities and Affiliations

A. Broker-Dealer; Registered Representative of Broker-Dealer

Neither Chapin Asset Management, Inc. nor any of its principals, managers or employees is presently registered or has an application pending to register with a broker-dealer or as a registered representative of a broker-dealer.

B. Futures Commission Merchant; Commodity Pool Operator; Commodity Trading Advisor; Associated Person of Aforementioned Entities

Neither Chapin Asset Management, Inc. nor any of its principals, managers or employees is presently registered or has an application pending to register with futures commission merchant, commodity pool operator, commodity trading advisor or as an associated person of any of the foregoing entities.

C. Relationship(s) and Arrangement(s) Material to Advisory Business or to Clients

Neither Chapin Asset Management, Inc. nor any of its principals, managers or employees has any relationship or arrangement that it considers to be material to its advisory business or to its clients.

Item 11 - Code of Ethics; Participation or Interest in Client Transactions & Personal Trading

A. Code of Ethics – Summary

Chapin Asset Management, Inc. established a Code of Ethics to promote strict compliance with requirements of the Investment Advisers Act of 1940 by the firm and its principals, managers and employees. This Code is based upon the principle that all employees of the firm owe a fiduciary duty to firm clients and must place client interests ahead of their own and the Company's interests.

Firm principals, managers and employees must also avoid taking any inappropriate advantage of their position through investment opportunities, perquisites or gifts from individuals or firms that might call into question the independent judgment of such firm principal, manager or employee and which may have the appearance of impropriety. Further, firm principals, managers and employees must conduct all personal securities transactions in full compliance with the firm's Code of Ethics.

In addition to the above summary, firm principals, managers and employees must maintain strict confidentiality of all client information and data and must take steps to guard and safe keep such information and data from other firm employees and firm vendors whose responsibilities do not require knowledge of, or access to, such client sensitive information.

Finally, firm principals, managers and employees must avoid the appearance of impropriety as it pertains to directorships of public and non-public companies, the use or commitment of undue influence in any manner, and the acceptance or offering of corporate and personal gifts beyond a modest threshold of \$100.

Chapin Asset Management, Inc. may purchase or sell for its client advisory accounts securities in which its principals, managers and employees have a position or interest. Any violation of, or potential conflict of interest must be disclosed promptly to the firm's Chief Compliance Officer and to any client whose account or relationship may be affected.

A copy of Chapin Asset Management, Inc.'s Code of Ethics may be obtained on the firm's website, www.chapinasset.com, or by contacting the firm's principal, Ronald A. Sages via email at info@chapinasset.com.

Item 12 - Brokerage Practices

The Custodian and Brokers We Use

Chapin Asset Management, Inc. does not maintain custody of your assets that we manage or on which we provide advice, although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account (see *Item 15 – Custody*, below). Your assets must be maintained in an account at a “qualified custodian,” generally a broker dealer or bank. We recommend that our clients use either Charles Schwab & Co., Inc., a registered broker dealer, member SIPC, or The United States Trust Company of Delaware as qualified custodians. We are independently owned and operated and are not affiliated with Schwab or the United States Trust Company of Delaware. Schwab and the United States Trust Company of Delaware will hold your assets in a brokerage account (Schwab) or custodian account (USTCo.) and buy and sell securities when we instruct them to. While we recommend that you use Schwab or the United States Trust Company of Delaware as custodian/broker, you will decide whether to do so and will open your account with Schwab or the United States Trust Company of Delaware by entering into an account agreement directly with them. We do not open the account for you, although we may assist you in doing so. If you do not wish to place your assets with Schwab and the United States Trust Company of Delaware, then we generally cannot manage your account. Please note that not all advisors require their clients to use a particular broker-dealer or other custodian selected by the advisor. Even though your account is maintained at Schwab or the United States Trust Company of Delaware, we can still use other brokers to execute trades for your account as described below (see “*Your Brokerage and Custody Costs*”).

How We Select Brokers/Custodians

We seek to [select/recommend/use] a custodian/broker who will hold your assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities)

for your account)

- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds [ETFs], etc.)
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Reputation, financial strength, and stability
- Prior service to us and our other clients
- Availability of other products and services that benefit us, as discussed below (see “*Products and Services Available to Us From Schwab and the United States Trust Company of Delaware*”)

Your Brokerage and Custody Costs

For our clients’ accounts that Schwab or the United States Trust Company of Delaware maintains, Schwab and the United States Trust Company of Delaware generally do not charge you separately for custody services but are compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab and the United States Trust Company of Delaware account. Please note that for some accounts, Schwab and the United States Trust Company of Delaware may charge you a percentage of the dollar amount of assets in the account in lieu of commissions. In addition to commissions and asset-based fees, Schwab and the United States Trust Company of Delaware charge you a flat dollar amount as a “prime broker” or “trade away” fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab and the United States Trust Company of Delaware account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we have Schwab and the United States Trust Company of

Delaware execute most trades for your account. We have determined that having Schwab and the United States Trust Company of Delaware execute most trades is consistent with our duty to seek “best execution” of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see “*How We Select Brokers/Custodians*”).

Products and Services Available to Us From Schwab

Schwab Advisor Services™ (formerly called Schwab Institutional®) is Schwab’s business serving independent investment advisory firms like us. They provide us and our clients with access to its institutional brokerage— trading, custody, reporting, and related services— many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients’ accounts, while others help us manage and grow our business. Schwab’s support services generally are available on an unsolicited basis (we don’t have to request them) and at no charge to us as long as our clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab. If our clients collectively have less than \$10 million in assets at Schwab, Schwab may charge us quarterly service fees of \$1,200. Following is a more detailed description of Schwab support services:

Services That Benefit You.

Schwab’s institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab’s services described in this paragraph generally benefit you and your account.

Services That May Not Directly Benefit You.

Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab makes available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of our fees from our clients' accounts
- Assist with back-office functions, recordkeeping, and client reporting

Services That Generally Benefit Only Us.

Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events
- Consulting on technology, compliance, legal, and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits, such as occasional business entertainment of our personnel.

In general, Chapin Asset Management, Inc. utilizes fully Schwab's services that benefit you, as client, as well as services that may not directly benefit you or your account. Chapin Asset

Management, Inc. selectively participates in educational conferences and events provided or sponsored by Schwab, as well as their compliance, legal and technology consulting services.

Our Interest in Schwab's Services

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services so long as our clients collectively keep a total of at least \$10 million of their assets in accounts at Schwab. Beyond that, these services are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody. The \$10 million minimum may give us an incentive to recommend that you maintain your account with Schwab based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab and the United States Trust Company of Delaware as custodians and Schwab as broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's services (see "*How We Select Brokers/Custodians*") and not Schwab's services that benefit only us. We have approximately \$ 37,000,000 in client assets under management, and we do not believe that recommending our clients to collectively maintain at least \$10 million of those assets at Schwab order to avoid paying Schwab quarterly service fees presents a material conflict of interest.

Item 13 - Review of Accounts

All portfolios are monitored internally on a daily basis. Formal reviews occur at least monthly and also immediately prior to each client meeting. The review process will document the occasion of the review, the action taken, if any, the reason for the review and the reason for the "action" or "no action." Formal reviews will consist of written materials incorporating present portfolio valuations, asset allocation composition, sector analyses as measured against the S & P 500 weightings, equity allocation performance since inception as measured against client-requested indices, individual security performance on a rolling basis, fixed income analysis, recommended investment changes and account specific projections.

In addition to the above, a change in client circumstances or family composition will also entail a review of the accounts involved to ensure that objectives, time horizons and risk tolerances are appropriate based on the changes taking place.

Item 14 - Client Referrals and Other Compensation

Chapin Asset Management, Inc. has never and does not hire any non-employee or firm to provide investment advice or other advisory services to clients of Chapin Asset Management, Inc. in exchange for an economic benefit of any kind, nature or amount.

Chapin Asset Management, Inc. does not directly or indirectly compensate any person who is not supervised by Chapin Asset Management, Inc. for client referrals.

We receive an economic benefit from Schwab and the United States Trust Company of Delaware in the form of the support products and services it makes available to us and other independent investment advisors whose clients maintain their accounts at Schwab and the United States Trust Company of Delaware. These products and services, how they benefit us, and the related conflicts of interest are described above (see *Item 12 – Brokerage Practices*). The availability to us of Schwab and the United States Trust Company of Delaware's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

Item 15 - Custody

Under government regulations, we are deemed to have custody of your assets if, for example, you authorize us to instruct Schwab or the United States Trust Company of Delaware to deduct our advisory fees directly from your account. Schwab or the United States Trust Company of Delaware maintain actual custody of your assets. You will receive account statements directly from Schwab or the United States Trust Company of Delaware at least quarterly. They will be sent to the email or postal mailing address you provided to Schwab or the United States Trust Company of Delaware. You should carefully review those statements promptly when you receive them. We also urge you to compare Schwab or the United States Trust Company of Delaware's account statements to the periodic account statements/portfolio valuation reports you will receive from us.

Chapin Asset Management, Inc. does not have physical custody of client funds or securities of any kind, nature or amount. Clients of Chapin Asset Management, Inc. hire a custodian of their choice and the qualified custodian sends quarterly or more frequent account statements directly to clients.

Clients of Chapin Asset Management, Inc. also receive statements directly from Chapin at month end, together with a detailed calculation of the firm's asset management fees that are due in arrears. Each statement contains a notification that clients are urged to compare the account statements they receive from their qualified custodian with those they receive from Chapin Asset Management, Inc.

Item 16 - Investment Discretion

Chapin Asset Management, Inc. routinely solicits new accounts and relationships on a full discretionary authority basis. Full discretion enables Chapin Asset Management, Inc. to purchase and sell securities in clients' portfolios in accordance with guidelines and parameters established by the client. Chapin Asset Management, Inc. does not engage in any short sales (selling borrowed securities) or margin transactions. Clients may rescind these instructions at any time by contacting the qualified custodian for their account. Approximately 84% of the accounts under management are managed under a full discretionary authority arrangement.

Additional discretionary powers that may be granted to Chapin Asset Management, Inc. by its clients include the ability to disburse funds from a client management account directly to a non-Schwab or non-United States Trust Company of Delaware client account. Such powers must be established in writing in advance of the transaction and must be signed by the affected client. These disbursement authorizations may only be preauthorized by clients on individual asset management accounts and on individual retirement accounts. All other account types require client written authorization at the time the disbursement request is made. Clients may rescind these instructions at any time by contacting the qualified custodian for their account.

Clients may also authorize Schwab or United States Trust Company of Delaware in writing to pay Chapin Asset Management, Inc.'s monthly fees as investment advisor directly from each client's portfolio management account. Clients will receive a copy of all fee computations, together with the market value of the account on which the fee is based, in advance of the submission to Schwab or United States Trust Company of Delaware of any fee payment request. Clients may rescind these instructions at any time by contacting the qualified custodian for their account.

If clients prefer and choose, investment management contracts can be signed on a Non Discretionary Authority basis. In this instance, the firm will contact the client before any trade is placed for the account to obtain verbal authority to proceed. A trade memorandum is then sent to the client showing the actual transaction date, quantity, security, dollar amount and pre unit price

at which each trade has been executed. The client then signs, dates and returns one copy of the trade memorandum to the firm for its permanent files.

Item 17 - Voting Client Securities

Clients may opt to vote proxies on securities owned in their accounts or delegate that responsibility to Chapin Asset Management, Inc.

In instances where clients have delegated authority to Chapin Asset Management, Inc. to receive and vote client proxies, Chapin Asset Management has established Proxy Voting Policies and Procedures to inform clients of its approach and to guide it in this endeavor as required by the Investment Advisors Act.

In all instances, Chapin Asset Management, Inc. is under a fiduciary duty to analyze and vote client proxies in its clients' best interests and to avoid circumstances where a conflict of interest may arise between the firm and the client. In instances where there is an unavoidable conflict, the specific conflict must be disclosed to the client in advance of the deadline for voting the client proxy.

All Proxy Voting instructions issued by Chapin Asset Management, Inc. are recorded and documented by ProxyEdge, a service paid by Chapin Asset Management. Records of voting history on any client security will be made available upon client request.

A copy of Chapin Asset Management, Inc.'s Proxy Voting Policy may be obtained on the firm's website, www.chapinasset.com, or by contacting the firm's principal, Ronald A. Sages via email at info@chapinasset.com.

Item 18 – Financial Information

A. Prepayment of Fees

Chapin Asset Management, Inc. does not require or solicit prepayment of fees of any kind, nature or amount. As disclosed above, all fees are payable in arrears, after services have been rendered.

B. Discretionary Authority or Custody of Client Funds or Securities

Chapin Asset Management, Inc. does solicit accounts with full discretionary authority but it does not require or solicit prepayment of fees of any kind, nature or amount. As disclosed above, all fees are payable in arrears, after services have been rendered.

C. Bankruptcy Petition Filing in the past 10 years

Neither Chapin Asset Management, Inc. nor its principals or managers has been the subject of any bankruptcy petition filing at any time since the founding of the firm in October, 1992. Its principal has never been the subject of any bankruptcy petition filing.

Item 19 – Requirements for State-Registered Advisers

As of June 28, 2012, Chapin Asset Management, Inc. will be required to shift from federal registration with the Securities Exchange Commission to state registration pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act as it will have less than \$100 million of assets under management. Chapin Asset Management, Inc. will maintain registration with the states of Connecticut and South Carolina.

In anticipation of this required regulatory shift and in the interest of full disclosure, responses to this section of Form ADV, Part IIA are provided at this time.

A. Education and Business Standards

The firm will seek to employ individuals who possess an undergraduate degree from an accredited institution of higher learning and portfolio managers must have a minimum of five (5) years' experience with an organization specializing in individual investment or personal fiduciary services in a client contact capacity. In addition, a related graduate degree, certification from a nationally-recognized professional association will be evaluated and encouraged from prospective applicants. FINRA licenses as Investment Adviser Representatives as required by State Securities Regulators for the states in which the firm transacts business must be obtained by the ninetieth (90th) day following employment of an individual for the positions of Portfolio Manager or Business Development Officer. Employment will be contingent upon successfully passing the required examinations.

The firm will also seek to employ individuals in entry-level, portfolio assistant, investment research and student intern capacities who either possess (entry-level, portfolio assistant, investment research) or are in pursuit of an undergraduate degree from an accredited institution of higher learning (student interns).

Chapin Asset Management, Inc. intends to employ individuals who embrace and practice the highest ethical standards. The firm will not discriminate on any basis in its employment practices and will observe and be in full compliance with the Americans With Disabilities Act.

Education and Business Background

Ronald A. Sages, President, Founder, Chief Investment Officer, Chief Compliance Officer

Born in 1951, Ron is a 1973 graduate of The Ohio University and a 1979 graduate of The University of Connecticut with a MBA in Finance and Taxation. Mr. Sages also earned the Certified Trust and Financial Advisor (CTFA) Designation, with distinction, from the Institute of Certified Bankers and is a 1985 graduate of the National Graduate Trust School, jointly conducted by Northwestern University and the American Bankers Association. Ron is currently a Ph.D. Candidate in Personal Financial Planning, with an emphasis in behavioral finance, at Kansas State University, Manhattan, Kansas. He expects to matriculate in 2012. Ron has also obtained the Certified Financial PlannerTM Designation.

The Certified Trust and Financial Advisor (CTFA) certification is awarded by the Institute of Certified Bankers (ICB), an affiliate of the American Bankers Association, and is designed to:

- Establish a recognized standard of knowledge and competence for the trust and wealth advisory field,
- Formally recognize those who meet these standards
- Provide employers and clients with a tool to identify skilled, knowledgeable professionals
- Support the benefits of professional continuing education and development

Individuals who have been accorded this certification must have completed a minimum of three (3) years' experience in wealth management as well as completion of one of the ICB's approved wealth management training programs. At the time of receipt of this designation in 1992, Mr. Sages had accumulated 19 years' experience in the field, had completed the requisite wealth management training programs, and was one of the "charter" recipients of the CTFA Designation. Holders of this designation are required to complete a minimum of 45 credit hours of continuing education every three years, with a minimum of six hours in each of four knowledge areas (fiduciary law and trust activities, tax law and planning, investment management and personal financial planning), and three hours in ethics. In addition, certificant holders are required to sign a Professional Code of Ethics Statement.

The Certified Financial PlannerTM Designation is awarded by the Certified Financial Planner Board of Standards. The CFP® certification process, administered by CFP Board, identifies to the public that those individuals who have been authorized to use the CFP® certification marks in the U.S. have met rigorous professional standards and have agreed to adhere to the principles of integrity, objectivity, competence, fairness, confidentiality, professionalism and diligence when dealing with clients. CFP® certificants must pass the comprehensive CFP® Certification Examination, pass CFP Board's Fitness Standards for Candidates and Registrants, agree to abide by CFP Board's Code of Ethics and Professional Responsibility and Rules of Conduct which put clients' interests first and comply with the Financial Planning Practice Standards which spell out what clients should be able to reasonably expect from the financial planning engagement. CFP® applicants are required to fulfill four certification requirements consisting of education, examination, experience and ethics. At the time Mr. Sages applied for certification, he had fulfilled the education requirement through the Kansas State Doctoral Program in Personal Financial Planning, and had successfully completed the November, 2010 administration of the certification examination. Mr. Sages had also completed 38 years' experience in the profession at that time, and had submitted appropriate documentation evidencing compliance with the CFP® Board's ethical standards. Renewal standards for continued use of the CFP® marks include submission of an application for renewal every two years, payment of the requisite fees, and completion of 30 hours of continuing education every two years, including 28 hours in accepted financial planning topics and two hours from a pre-approved program on CFP Board's Standards of Professional Conduct.

Prior to founding Chapin Asset Management in 1992, Mr. Sages was President of BT Private Clients Group, Inc., a wholly-owned subsidiary of Bankers Trust Company, and a Vice President and Team Leader in the Global Asset Management Division - Private Clients Group at Bankers Trust Company in New York City from 1985 to 1993. Prior to 1985, Ron was affiliated with The Connecticut Bank & Trust Company in a variety of capacities, all within the Trust and Investment Division since graduation from Ohio University. Ron is a member of the CFA Institute (formerly the Association for Investment Management and Research (AIMR)) and The Stamford (CT) CFA Society. Mr. Sages is a past Member of the Board of Directors of the Connecticut Estate & Tax Planning Council, is a past member of the Estate Planning Council of

New York City and is a member and Past President of the Board of the Estate Planning Council of Lower Fairfield County. He served as a Charter Member of the Editorial Advisory Board of Trusts and Investments and is a past member of the Editorial Advisory Board of Trusts & Estates, a Primedia/K-III Publication. Ron served two terms as Treasurer of the Board of Directors (Archons) of The International Fraternity of Phi Gamma Delta, based in Lexington, Kentucky from 2006 - 2010. Currently, Ron is a member of the American Council on Consumer Interests (ACCI), the Financial Therapy Association, and the CFP® Board Registered Programs Faculty.

B. Chapin Asset Management, Inc. is also engaged in the business of providing personal financial planning services. This information is further described in Item 4B and Item 5. On average, we perform personal financial planning services for clients between 5% and 10% of our time, annually.

C. Chapin Asset Management, Inc. does not receive any compensation on the basis of performance-based fees.

D. Neither Chapin Asset Management, Inc. nor any of its principals or employees has ever been involved in any event listed below:

1. An award or otherwise being *found* liable in an arbitration claim alleging damages in excess of \$2,500, *involving* any of the following:
 - (a) an investment or an *investment-related* business or activity;
 - (b) fraud, false statement(s), or omissions;
 - (c) theft, embezzlement, or other wrongful taking of property;
 - (d) bribery, forgery, counterfeiting, or extortion; or
 - (e) dishonest, unfair, or unethical practices.
2. An award or otherwise being *found* liable in a civil, *self-regulatory organization*, or administrative *proceeding involving* any of the following:
 - (a) an investment or an *investment-related* business or activity;
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E. Neither Chapin Asset Management, Inc. nor any of its management persons has any relationship or arrangement with any issuer of securities.

Part 2B of Form ADV: Brochure Supplement

Dated: August 22, 2012

COVER PAGE

This brochure supplement provides information about Ronald A. Sages that supplements the Chapin Asset Management, Inc. brochure. You should have received a copy of that brochure. Please contact Ronald A. Sages if you did not receive Chapin Asset Management, Inc.'s brochure or if you have any questions about the contents of this supplement.

Additional information about Ronald A. Sages is available on the SEC's website at www.adviserinfo.sec.gov.

Supervised Person: Ronald A. Sages

Chapin Asset Management, Inc.

15 East Putnam Avenue, #264

Greenwich, CT 06830

203-255-9993 x 201

Item 2 – Educational Background and Business Experience

Ronald A. Sages, President, Founder, Chief Investment Officer, Chief Compliance Officer

Born in 1951, Ron is a 1973 graduate of The Ohio University and a 1979 graduate of The University of Connecticut with a MBA in Finance and Taxation. Mr. Sages also earned the Certified Trust and Financial Advisor (CTFA) Designation, with distinction, from the Institute of Certified Bankers and is a 1985 graduate of the National Graduate Trust School, jointly conducted by Northwestern University and the American Bankers Association. Ron is currently a Ph.D. Candidate in Personal Financial Planning, with an emphasis in behavioral finance, at Kansas State University, Manhattan, Kansas. He expects to matriculate in 2012. Ron has also obtained the Certified Financial PlannerTM Designation.

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Item 3 – Disciplinary Information

Since beginning his career in 1973, Ronald A. Sages has **NOT** been the subject of **ANY** disciplinary proceeding whatsoever including:

A. A criminal or civil action in a domestic, foreign or military court of competent jurisdiction in which the *supervised person*:

1. was convicted of, or pled guilty or nolo contendere (“no contest”) to (a) any *felony*; (b) a *misdemeanor* that *involved* investments or an *investment-related* business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, or extortion; or (c) a conspiracy to commit any of these offenses; **NONE**

2. is the named subject of a pending criminal *proceeding* that involves an *investment-related* business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses; **NONE**

3. was *found* to have been *involved* in a violation of an *investment-related* statute or regulation; or **NONE**

4. was the subject of any *order*, judgment, or decree permanently or temporarily enjoining, or otherwise limiting, the *supervised person* from engaging in any *investment-related* activity, or from violating any *investment-related* statute, rule, or *order*. **NONE**

B. An administrative *proceeding* before the SEC, any other federal regulatory agency, any state regulatory agency, or any *foreign financial regulatory authority* in which the *supervised person*

1. was *found* to have caused an *investment-related* business to lose its authorization to do business; or **NONE**

2. was *found* to have been *involved* in a violation of an *investment-related* statute or regulation and was the subject of an *order* by the agency or authority **NONE**

(a) denying, suspending, or revoking the authorization of the *supervised person* to act in an *investment-related* business; **NONE**

(b) barring or suspending the *supervised person's* association with an *investment-related* business; **NONE**

(c) otherwise significantly limiting the *supervised person's investment-related* activities; or **NONE**

(d) imposing a civil money penalty of more than \$2,500 on the *supervised person*. **NONE**

C. A *self-regulatory organization (SRO)* proceeding in which the *supervised person*

1. was *found* to have caused an *investment-related* business to lose its authorization to do business; or 2. was *found* to have been *involved* in a violation of the *SRO's* rules and was: (i) barred or suspended from membership or from association with other members, or was expelled from membership; (ii) otherwise significantly limited from *investment-related* activities; or (iii) fined more than \$2,500.

NONE

D. Any other hearing or formal adjudication in which a professional attainment, designation, or license of the *supervised person* was revoked or suspended because of a violation of rules relating to professional conduct. If the *supervised person* resigned (or otherwise relinquished the attainment, designation, or license) in anticipation of such a hearing or formal adjudication (and the adviser knows, or should have known, of such resignation or relinquishment), disclose the event.

NONE

Item 4 – Other Business Activities

Item 4A – Ronald A. Sages is not involved in any other *investment-related* business or occupation. Further, he does not currently have any application pending in a business activity including as a broker, commodities pool operator (CPO), futures commission merchant (FCM), commodity trading advisor (CTA) or as an associated person of any of these organizations.

Item 4B – Ronald A. Sages serves as an Instructor in the Graduate School at Kansas State University (Manhattan, Kansas), College of Human Ecology, Family Studies and Human Services, for the Personal Financial Planning Department. He teaches graduate level students who are pursuing a Master's Degree in Family Financial Planning or a Certificate in Personal Financial Planning. Subjects taught include Fundamentals of Financial Planning, Insurance and Risk Management, Investment Management, Retirement Planning and Employee Benefits, Income Taxation, Estate Planning and Taxation, and the Capstone Course in Personal Financial Planning.

All instruction is conducted via the World Wide Web in the evening, generally after 8 p.m. several times a week. The weekly commitment of time to this activity is estimated to be between 10 – 20 hours, depending upon the week of the semester (mid-terms, final exams, etc.), attendance at academic conferences, or during on-campus visits.

In addition to the above, Ronald A. Sages periodically serves as a speaker at various academic and professional association conferences, or as a consultant on personal financial planning/wealth management topics. The amount of time devoted to, and income derived from, these activities is considerably less than the 10% threshold as defined by FINRA.

Item 5 – Additional Compensation

No additional economic benefit is provided to Ronald A. Sages for providing advisory services by any individual, organization or agency.

Item 6 – Supervision

Ronald A. Sages is the President, Chief Compliance Officer, and principal employee of Chapin Asset Management, Inc. As such, there is no additional supervision within the firm of Mr. Sages' activities with respect to advice furnished to clients.

Any questions or concerns should be directed to Mr. Sages at Chapin Asset Management, Inc., 15 East Putnam Avenue, #264, Greenwich, CT 06830, 203-255-9993 x201.

Item 7 – Requirements for State-Registered Advisers

A. In addition to the events listed in Item 3 of Part 2B, if the *supervised person* has been *involved* in one of the events listed below, disclose all material facts regarding the event.

1. An award or otherwise being *found* liable in an arbitration claim alleging damages in excess of \$2,500, *involving* any of the following:

- (a) an investment or an *investment-related* business or activity; **NONE**
- (b) fraud, false statement(s), or omissions; **NONE**
- (c) theft, embezzlement, or other wrongful taking of property; **NONE**
- (d) bribery, forgery, counterfeiting, or extortion; or **NONE**
- (e) dishonest, unfair, or unethical practices. **NONE**

2. An award or otherwise being *found* liable in a civil, *self-regulatory organization*, or administrative *proceeding involving* any of the following:

- (a) an investment or an *investment-related* business or activity; **NONE**
- (b) fraud, false statement(s), or omissions; **NONE**
- (c) theft, embezzlement, or other wrongful taking of property; **NONE**
- (d) bribery, forgery, counterfeiting, or extortion; or **NONE**
- (e) dishonest, unfair, or unethical practices. **NONE**

B. If the *supervised person* has been the subject of a bankruptcy petition, disclose that fact, the date the petition was first brought, and the current status.

NONE