



BPU Investment Management, Inc.

Part 2A of Form ADV

The Brochure

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This brochure provides information about the qualifications and business practices of BPU Investment Management, Inc. ("BPU" or the "Adviser") For more information on the disclosure requirements required for Part 2A see the "General Instructions for Part 2 of Form ADV" by visiting www.sec.gov/rules/final/2010/ia-3060.pdf. If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer at (800) 822-6585 or email bpucompliance@bpuinvestments.com.

Additional information about BPU is also available on the SEC's website at: www.adviserinfo.sec.gov.

BPU is registered as an investment adviser with the United States Securities and Exchange Commission (the "SEC") under the Investment Advisers Act of 1940 (the "Advisers Act"). Registration as an investment adviser with the SEC does not imply a certain level of skill or training. In addition, the information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

Part 2: Material Changes

We have revised and reorganized our Part 2A disclosures in an effort to provide our clients and prospective clients with more readable, concise and relevant information. As a sponsor of wrap fee programs, we have prepared a wrap fee program brochure to supplement our client disclosures for wrap fee clients. We encourage all recipients of this Brochure to read it carefully in its entirety.

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Part 4: Advisory Business

BPU is a federally registered investment advisor with the U.S. Securities and Exchange Commission (“SEC”). The firm was founded as Berkowitz and Pierchalski in 1986 as a C-corporation. Since then BPU changed its corporate form to a Sub-chapter S corporation and changed its name to BPU Investment Group and then to BPU Investment Management, Inc. BPU has three principal owners: Mr. Rick Pierchalski, Founder and CEO; Mr. Robert Unkovic, President; and Mr. Paul Brahim, Executive Vice President.

Advisory Services

The Adviser is a multi-disciplinary wealth and investment management firm. The Adviser’s core competencies include wealth management services for private clients; including high-net-worth individuals and their associated trusts and legal entities; asset management for fiduciary accounts, including retirement plans and endowments and foundations; institutional trading services; and, advisory services for businesses engaged in capital markets transactions.

Investment Management Philosophy

The Modern Portfolio Theory principles of asset class and security diversification guide our investment management process. The process utilizes various statistical methods of asset class analysis. This approach attempts to classify, quantify and manage both the type and amount of investment risk in a portfolio. It shifts the emphasis onto overall portfolio composition and behavior rather than on that of any single security.

The “Efficient Market Hypothesis” is the foundation for this focus shift. We concede that, in an efficient market, individual security prices adjust rapidly based on the amount of information available to investors. Because of this, we also believe that most traditional securities analysts are not able to use either fundamental or technical analysis techniques to “outsmart” an efficient market and achieve consistently superior returns.

In recognition of the Efficient Market Hypothesis and in an attempt to understand and manage risk, Modern Portfolio Theory addresses two broad forms of investment risk, systematic and nonsystematic. Systematic risk is that risk which is common to all stocks and bonds within a particular market. Known more commonly as “market risk,” systematic risk is the tendency for security prices to rise or fall in concert with the broad market.

Nonsystematic risk is company or industry specific risk. Strikes, natural disasters, product recalls or takeover bids may cause the price of a stock to decline even in a broadly rising market. This helps to explain why the more diversified an investor’s portfolio, the less subject it is to nonsystematic risk.

BPU’s disciplined investment process recognizes and seeks to reduce both types of risk. With respect to managing systematic or market risk, we invest each client’s portfolio in multiple asset classes, that is to say, multiple markets. These asset classes include, but are not limited to money markets, domestic bonds, foreign bonds, domestic stocks, foreign stocks and alternative investments. We further diversify fixed income allocations by incorporating varying credit qualities and maturities. For equities, we also diversify by market capitalization and employ both

growth and value investment styles – all in the hope of pairing asset classes that exhibit differing behavior in the same economic environment.

In implementing asset classes, BPU seeks to reduce the nonsystematic form of risk by diversifying the securities within each asset class. To do this, we use broadly diversified index funds and ETF's concurrent with professionally managed mutual funds and separately or individually managed accounts. In this way, we seek to cost effectively manage both systematic and nonsystematic risk by diversifying both asset classes and the individual securities within each asset class.

Finally, portfolio construction is driven by understanding your clearly articulated goals and objectives in the context of your time horizon, risk tolerance, expectation of return, asset class preferences and restrictions and tax status. BPU translates this into an investment policy statement that serves as the written business plan for each investment strategy.

BPU also offers financial planning on a fee-only basis and Investment Fiduciary Consulting ("IFC").

Traditional Investment Management Program Description

- **Portfolio Advisory Solutions**
- **Core Equity Strategies**
- **Equity Income Strategies**
- **Quantitative Global Strategies**

Portfolio Advisory Solutions ("PAS") Services Description

Through PAS, financial advisors of BPU provide investment advisory and brokerage service to client accounts on a discretionary basis thru the use of asset allocated investment models (which can include mutual funds, ETFs, and separately managed accounts in a unified strategy).

The PAS financial advisors develop disciplined portfolios based on the client's investment objectives and individual needs as established in investment portfolio and strategy criteria. The models are rebalanced on a periodic basis as related to current allocation and target balances.

All mutual funds in the program are tracked and monitored by BPU personnel. A "watch list" of investment products is maintained for those funds not meeting BPU's screening criteria and are replaced as deemed appropriate. The PAS program is designed to provide a disciplined advisory approach to meet client objectives and needs.

Core Equity Strategy ("CES") Program Services Description

CES objective is to provide a diversified, tax efficient, portfolio designed to produce consistent long-term appreciation with cash flow equal to or greater than the dividend yield of the S&P 500. Short-term performance is not a primary objective of this portfolio. Assets invested in high quality, dividend-paying stocks should help provide principal protection in the case of sustained market weakness. Global and small cap exposure can be added to the portfolio utilizing exchange traded funds (ETFs). The use of covered call option writing strategies may be used to maintain

both cash flow and portfolio total return. In addition, CES may purchase put options to assist with downside protection.

CES seeks to maintain a low turnover-tax efficient portfolio of approximately 40 stocks with exposure to most of the major economic sectors. The cash flow objective is to provide a dividend yield equal to or greater than the S&P 500. Occasionally we may use non-dividend paying stocks if they have strong balance sheets, appear to have above average appreciation potential and/or they diversify other holdings within the sector.

Approximately 75% of the securities in the portfolio will fit the core-holding criteria. Generally, no security will represent more than 5% of market value of the total portfolio. Core holding stocks will generally be categorized as mid to large market cap at the time of purchase. Additionally, stocks will be of investment grade financial strength and have strong cash flows. They should have above average earnings as well as dividend predictability. In aggregate, these stocks should have a portfolio beta less than 1.0.

Approximately 25% of the portfolio will consist of opportunity holdings. Opportunity holdings will have above average total return potential over shorter holding periods. We will attempt to add to total return by writing covered call options, and may from time to time own preferred stocks and convertible securities. BPU utilizes various commercially available, third party research providers for the fundamental research. Stocks will be sold or reduced if they exceed 5% of the equity portfolio value or no longer meet quality standards. A decline of 20% from average portfolio cost will force a revaluation or regular reviews identify a more attractive holding.

Equity Income Strategy ("EIS") Program Services Description

Using 33 equally weighted equities, the EIS seeks to provide a higher income stream with less overall volatility than the S&P 500. Global and small cap exposure can be added to the portfolio utilizing exchange-traded funds (ETFs). Among others, this strategy is suitable for endowments, retirement funds and higher net worth individuals. Occasionally, CES may utilize covered call option writing to maintain both cash flow and portfolio total return.

Economic forecast and market expectations are combined with sector limits to help set the tactical allocations to the various economic sectors. The Standard and Poors equity database of over 9,600 stocks is screened for balance sheet quality standards, market capitalization greater than \$1 billion and dividend yield of two percent or more. The universe is reduced to 33 equities using additional fundamental and technical measures to identify those companies that we believe can best support the long-term objectives of the portfolio.

Quantitative Global Strategy ("QGS") Program Services Description

The QGS seeks long-term capital appreciation. Under normal conditions, the Strategy seeks to achieve its objective by investing Client's assets in equity ETF funds, diversified globally by utilizing six equity ETFs. The inclusion of all major global regions and market capitalizations should provide both diversification and risk management benefits that work to improve the risk/reward trade-off over time. The Strategy may utilize cash positions from time to time, and in the Manager's sole discretion, to protect against potential losses.

The QGS utilizes a quantitative modeling system to determine whether the inherent allocations within the MS All Country World Index (ACWI), as represented by six regional and country Indices it utilizes, should be over-weight, market-weight or under-weight relative to the ACWI. The QGS model is derived from this research. This research, together with other internal and external data, is analyzed to determine which ETFs and the degree of weighting to each that will be utilized in the Strategy to affect its overall objectives.

Financial Planning Services

BPU adheres to a multi-step, continuous process in offering individualized financial planning services. We begin by gathering detailed financial information about you and your goals. After we've gathered all of the required information, our advisors in collaboration with our Certified Financial Planner Practitioners™ then analyze that data and evaluate your current financial condition. They develop recommendations that are peer reviewed by our financial planning committee before we present them to you. We assist you with implementing those recommendations and finally, through regularly scheduled reviews, we monitor your progress and adjust your plan as your life circumstances change.

Typically, our financial planning services include the following:

- 1. Review of your objectives and attitudes toward risk and reward**
 - Identify short term, medium range and long term goals
 - Discuss potential biases and risk tolerances as they may impact strategies to achieve your objectives
- 2. Asset Structure**
 - Provide Net Worth and Asset Ownership Summary
 - Present value, cost basis, growth and expected purchases
- 3. Liabilities**
 - Present and anticipated debt obligations and debt management strategies
 - Assessment of your personal and investment property mortgages, debt refinancing, and loan alternatives
- 4. Income Tax Analysis**
 - Current federal and state income tax-reduction strategies and asset structure recommendations for control of future tax
 - Personal federal income tax projection
- 5. Cash Flow Management**
- 6. Investment review, analysis and recommendations**
 - Current risk/reward analysis and application of Modern Portfolio Theory for asset class investment strategy
- 7. Employee Benefits review and recommendations**
 - Review plans and provide recommendations to enhance benefit including group life, disability and health insurance; defined contribution plan investment allocation; and, stock option exercise strategies
 - Coordinate with personal assets and spousal benefits
- 8. Disability Income, survivor needs and long-term care analysis and recommendations**
 - Insurance needs analysis, as appropriate, for life, disability, and long term care protection

- Review of existing policies, and provide recommendations on types of policies, and appropriate coverage
 - Evaluate capital need to meet income continuation and other testamentary goals.
- 9. Estate Planning Synopsis, Asset Distribution and Tax analysis**
- Estate tax balance sheet preparation
 - Estate plan recommendations and efficient wealth transfer strategies
 - Asset protection and wealth preservation strategies
 - Philanthropic giving and multigenerational planning
- 10. Retirement Income analysis and recommendations**
- Maintain and update, as necessary, a “Capital Needs Analysis,” an analytical process that evaluates the likelihood of meeting stated goals, based on your assets, liabilities, and relevant economic assumptions. This report is typically updated every three to four years—more often if you experience a significant life transition or from evolving market conditions.
- 11. Master Implementation checklist**
- Used to monitor your financial progress and be aware of advisor performance

Investment Fiduciary Consulting

IFC may include providing an assessment of investment practices, analyses of current investment strategy and holdings, asset allocation modeling, development of an investment policy statement and manager search selection, ongoing monitoring and review through quarterly investment committee meetings.

Wrap Fee Programs

BPU serves as a portfolio manager in a number of wrap fee programs. These wrap fee programs are arrangements in which investment advisory services, brokerage execution services and custody are provided by a sponsor for a single predetermined "wrap" fee (regardless of the number of trades completed by a client). Generally, clients participating in a wrap fee program (“Wrap Program Clients”) pay this single, all-inclusive fee quarterly in advance to the program sponsor, based on the net assets under management. BPU receives from the program sponsor a portion of the wrap fee for the portfolio management services it provides. BPU as the program sponsor provides a separate brochure that contains detailed information about the wrap program, including the wrap fee charged. Wrap Program Clients should note that BPU will execute transactions for their accounts through the Wrap Sponsor. Transactions executed through a Wrap Sponsor may be less favorable in some respects than BPU’s clients whose trades are not executed through the Wrap Sponsor. This is because BPU may have no ability to negotiate price or take advantage of combined orders or volume discounts. BPU may be constrained in obtaining best execution for Wrap Program Clients by sending trades to the Wrap Sponsor.

Discretionary Assets Under Management

BPU manages client assets on both a discretionary and non-discretionary basis. As of December 31, 2011, BPU managed \$472,500,877 of assets on a discretionary basis and \$28,376,824 on a non-discretionary basis.

Part 5: Fees and Compensation

Traditional Investment Management Program Fees

- Portfolio Advisory Solutions
- Core Equity Strategies
- Equity Income Strategies
- Quantitative Global Strategies

Portfolio Advisory Solutions (“PAS”) Program Fees

PAS accounts are charged a fee that is for investment advice. Accounts may be charged fees on certain mutual fund share classes, delivery versus payment fees on certain bonds, and commissions on equity transactions to Fidelity. The standard PAS fee schedule is 1.50% of account asset value. If the PAS agreement is terminated during a quarter, which may be done at any time upon written notice from the applicable client, a pro rata refund will be made to the client less reasonable start-up costs, if applicable.

Aggregate Market Value of Assets Under Management Fee

0	to	\$500,000	1.50%
\$500,001	to	\$1,000,000	1.25%
\$1,000,001	to	\$2,500,000	1.00%
\$2,500,001	to	\$5,000,000	0.75%
		\$5,000,001 or more	0.50%

Core Equity Strategy (“CES”) Program Fees

CES program accounts are offered unbundled where certain transaction fees may apply. CES is also offered in an all-inclusive “wrap fee” that is for both investment advice and clearing and execution services. (Please see the ADV Part 2A, Appendix I, Wrap Fee Brochure for more information). Where these fees are applicable, they will be disclosed in the Investment Management Agreement. If the PMA agreement is terminated during a quarter, which may be done at any time upon written notice from the applicable client, a pro rata refund will be made to the client. Maximum Fee Schedule as follows:

Aggregate Market Value of Assets Under Management Fee

\$0	to	\$1,500,000	1.25%
\$1,500,001	to	\$3,000,000	1.00%
\$3,000,001	to	\$5,000,000	.75%
		over \$5,000,001	.50%

Equity Income Strategy (“EIS”) Program Fees

EIS program accounts are offered unbundled where certain transaction fees may apply. EIS is also offered in an all-inclusive “wrap fee” that is for both investment advice and clearing and

execution services. (Please see the ADV Part 2A, Appendix I, Wrap Fee Brochure for more information). Where these fees are applicable, they will be disclosed in the Investment Management Agreement. If the PMA agreement is terminated during a quarter, which may be done at any time upon written notice from the applicable client, a pro rata refund will be made to the client. Maximum Fee Schedule as follows:

Aggregate Market Value of Assets Under Management Fee

\$0	to	\$1,500,000	1.25%
\$1,500,001	to	\$3,000,000	1.00%
\$3,000,001	to	\$5,000,000	.75%
		over \$5,000,001	.50%

Quantitative Global Strategy (“QGS”) Program Fees

QGS program accounts are offered unbundled where certain transaction fees may apply. QGS is also offered in an all-inclusive “wrap fee” that is for both investment advice and clearing and execution services. (Please see the ADV Part 2A, Appendix I, Wrap Fee Brochure for more information). If the PMA agreement is terminated during a quarter, which may be done at any time upon written notice from the applicable client, a pro rata refund will be made to the client. Maximum Fee Schedule as follows:

Aggregate Market Value of Assets Under Management Fee

\$0	to	\$500,000	2.00%
\$500,001	to	\$1,000,000	1.25%
\$1,000,001	to	\$2,500,000	1.00%
\$2,500,001	to	\$5,000,000	.75%
		over \$5,000,001	.50%

See Appendix I, for wrap program fees.

Weighted Billing Schedule

BPU uses a weighted billing schedule as opposed to a break point billing schedule. In a breakpoint schedule, all assets are billed at the same rate and that rate typically decreases once a client’s asset value increases to the next level. For example, if a client has \$1,000,000 of investable assets, and the break point billing schedule is 1.5% up to \$500,000 and 1.25% up to \$1,000,000, the entire portfolio would be billed at the 1.25% rate.

In a weighted billing schedule, assets are billed based on multiple, weighted rates consistent with the total value of the client’s portfolio. For example, if a client has \$1,000,000 of investable assets and the weighted billing schedule is 1.5% for the first \$500,000 and 1.25% for the next \$500,000, the weighted billing rate would be 1.38%.

Technology Fee

All clients are charged at technology fee of \$35 per managed account, up to a household maximum of \$105.

Inception and Post-Inception Billing

For all advisory programs offered at BPU, at inception, fees are billed from the date the account is opened through the end of that calendar quarter in advance. Thereafter, fees are billed in advance for the next calendar quarter based on the value of the assets at the end of the prior calendar quarter. For post-inception deposits / withdrawals in excess of \$5,000, prorated fees on each deposit / withdrawal may be charged or rebated. The inflows and outflows are aggregated monthly and invoiced with the billing on the next calendar quarter.

Mutual Fund Fees

BPU will sometimes employ the use of Mutual Funds as part of the Managed Portfolio. Fund manager are subject to an internal fee structure that may include management fees, operating expenses and/or 12b-1 fees. Each manager discloses these fees in its own prospectus, offering memorandum or ADV Part 2, which is delivered to the client prior to, or at the time of investment. These fees are in addition to BPU's investment management fees and are born by the client. In all cases, BPU will notify clients when such a conflict may arise.

BPU will in some cases, be paid a portion of the fees collected, causing a potential conflict of interest. BPU does not exclusively use funds which charge these additional fees and will utilize load waived, no load or institutional class shares as available.

BPU has entered into an arrangement with Fidelity Brokerage Services, LLC ("FBS") whereby we are paid a percentage of the total 12b-1 fees (Non ERISA accounts) received from fund companies by FBS as it relates to shares of eligible mutual funds sold or held in BPU's client accounts. This compensation is calculated and paid to the firm on a monthly basis. Investment Advisor Representatives (Financial Advisors) do not participate in this fee.

As a result, BPU has an incentive to invest client assets in the mutual funds for which it receives this additional compensation. However, BPU shall maintain its fiduciary duty by only recommending money managers that it deems appropriate and suitable for its clients. In addition, BPU's due diligence process when selecting money managers includes complying with the standard set by the Center for Fiduciary Studies recommendation in that an investment product not be in bottom quartile of expenses (including any 12b-1 fees) relative to its peers. Further information regarding 12b-1 fees may be found in the respective mutual funds' prospectuses.

BPU does not receive any 12b-1 remuneration on ERISA Accounts.

Additional Fee and Billing Information

Mutual funds, exchange-traded funds, and other investment company assets are subject to additional advisory and other fees and expenses. These fees and expenses are described to you in the prospectuses of those funds, and are paid for by the funds, but are ultimately borne by you.

Although commissions and/or transaction fees you pay will comply with BPU's duty to obtain best execution, you may pay a commission that is higher than another qualified broker-dealer might charge for the same transaction. In these instances, BPU may determine, in good faith, that the commission is reasonable in relation to the quality of brokerage services received. In seeking best execution for your account, BPU's determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution. When making this determination, BPU takes into consideration the full range of broker-dealer services, including the value of research provided, execution capability, commission rates and responsiveness. Although BPU will seek competitive rates, it may not necessarily obtain the lowest possible commission rates.

For traditional investment management accounts certain transactional costs are charged and collected by the custodian, clearing firm and/or investment sponsors, which may include mutual fund fees and expenses, commissions on equities, options and fixed income securities, certain service fees and/or service charges. Commission rates vary by different types of transactions and by custodian. These transactional costs may change.

BPU's fees for investment advice are the same for discretionary and non-discretionary accounts. Fees are negotiable and may be more or less than our standard fee schedule based on complexity and circumstance.

BPU charges investment management fees quarterly, in advance. Our investment management agreements remain in effect until either party gives written notice to the other party of its intention to terminate this Agreement. BPU or you may terminate your agreement, without penalty, upon at least 30 days written notice by either party. Transactions in progress will be completed in the normal course of business. Upon termination, you will receive a pro-rata refund of that portion of any prepaid advisory fees that have yet to be earned by BPU. Your refund will be calculated from the date of receipt of the written termination notice or other agreed upon date.

Financial Planning Services

Financial planning fees generally based on an hourly rate, ranging from \$150 to \$350 per hour. Fees are billed as a retainer with 50% of the estimated fee at inception and the remainder at the conclusion of the engagement. Our fee guidelines are as follows:

- Level 1 \$3,000- Assets < \$600,000 or income < \$100,000
- Level 2 \$4,500- Assets > \$600,000 or income > \$100,000 or owner of one closely held business
- Level 3 \$6,000- Assets > \$1,000,000 or income > \$200,000 or owner of two closely held businesses
- Level 4 \$7,500- Assets > \$1,500,000 or income > \$300,000 or owner of three closely held businesses

Additional Compensation, Commission and Fee Offset

Some of our representatives are also registered representatives of BPU in its capacity as a broker-dealer. If you elect to have our representatives implement the advice provided as part of the financial planning or consulting services, this may be done by them in their separate capacities as registered representatives. This situation represents a conflict of interest because our representatives could receive fees for the advice and could also receive commissions for implementing the recommendations in their separate capacity as registered representatives. It also provides incentive to recommend investment products based on the compensation received, rather than on your needs.

You are not obligated to implement the advice provided by our representatives or to implement transactions through us as a broker-dealer. You are free to select any broker-dealer or registered representative to implement the recommendations provided by our representatives.

In addition, some of our representatives may also be licensed insurance agents. If you elect to purchase insurance products through our representatives in this separate capacity, they may earn commissions. This is a conflict of interest because they could receive fees for the advice and also receive commissions for implementing insurance transactions. You are not obligated to implement the advice provided by our representatives or to implement transactions through our representatives in their separate capacity as insurance agents.

From time to time, we may receive expense reimbursement for travel and/or marketing expenses from distributors of investment and/or insurance products. Travel expense reimbursements are typically a result of attendance at due diligence and/or investment training events hosted by product sponsors. Marketing expense reimbursements are typically the result of informal expense sharing arrangements in which product sponsors may underwrite costs incurred for marketing such as advertising, publishing and seminar expenses. Although receipt of these travel and marketing expense reimbursements are not predicated upon specific sales quotas, the product sponsor reimbursements are typically made by those sponsors for whom sales have been made or it is anticipated sales will be made. As a part of our and our representatives' fiduciary duty, we endeavor at all times to put your interests first. However, you should be aware that receiving additional compensation through nominal sales awards, expense reimbursements, etc. creates a conflict of interest that may impact the judgment of our representatives when making advisory recommendations.

Investment Fiduciary Consulting

IFC fees are generally based on an hourly rate of \$150 to \$350 per hour with a minimum fee of \$7,500.

Part 6: Performance Based Fees and Side-by-Side Management

BPU does not charge any performance fees. BPU manages accounts for numerous clients that invest in the same or similar securities. Although the overwhelming majority of securities used in BPU's investment strategy are highly liquid and readily available, certain municipal bonds or other fixed income securities may occasionally have capacity

constraints. BPU attempts to allocate investment opportunities among clients in a fair and equitable manner. Performance is never a factor in BPU's decision to allocate securities to a client's account.

Part 7: Types of Clients

BPU Investment Management provides asset management and investment consulting services to individuals, families, trusts, non-profits, retirement plans and institutions and all types of fiduciary accounts.

Minimum Account Size

Typically, BPU does not institute a minimum account size. However, programs and/or managers generally have account minimum requirements and these vary.

Part 8: Methods of Analysis, Investment Strategies and Risk of Loss

BPU applies Modern Portfolio Theory techniques to provide investment management services to clients. We adhere to the following process when providing these investment supervisory services.

1. Analyze client's current investment position
2. Design optimal portfolio(s)
3. Formalize a written investment policy statement
4. Select investment managers to implement the policy
5. Monitor investment results
6. Periodic rebalancing back to target allocations

The investment return and principal value of any investment will fluctuate. Thus, an investor's shares, when redeemed, may be worth more or less than their original cost.

BPU does manage portfolios in house, each with own methods of analysis, investment strategies and risks.

A breakdown of **BPU Sponsored Wrap Fee Programs** is listed in Appendix I, with indications of whether the manager is affiliated with BPU, modeled or non-modeled, discretionary or non-discretionary.

All BPU managed portfolios allow for advisor customization within each strategy for each of the portfolios listed.

Primary Investment Vehicles and Risks

- Mutual funds and exchange traded funds have exposure to underlying securities that may be exposed to loss of principal due to adverse market conditions. Foreign securities in mutual funds may also expose your portfolio to potential loss due to exchange rate risk.

- Asset allocation, diversification and rebalancing do not assume a positive return or protect against loss.
- Investments in Bonds or Fixed Income are subject to interest rate risk. Bond prices generally fall when interest rates rise. All bonds, excluding US Treasuries, have a risk of credit default. Non-Domestic bonds and Hi-Yield bonds generally carry a greater risk due to the nature of the issuers. Non-Domestic bonds are subject to economic, political and currency risk and may experience a greater degree of market volatility. Hi-Yield bonds are speculative, have a higher risk of default or are already in default, tend to be less liquid and are more difficult to value than higher grade securities. These bonds tend to be more volatile and more susceptible to adverse events and negative sentiments.
- Investments in Small and/or Mid Cap companies generally carry a great risk and may experience a greater degree of market volatility.
- Investments in Global or International securities are subject to economic, political and currency risk and may experience a greater degree of market volatility.
- Market Neutral investments are unique and complex strategies designed “neutralize,” or limit, the effect of stock market movement on returns. Because of this, return is often uncorrelated to that of the stock market. Strategies involve long- and short-selling and carry specific risks not found in traditional investments.
- Real estate investments may be subject to a higher degree of market risk because of concentration in a specific industry, sector or geographical sector. Real estate investments may be subject to risks including, but not limited to, declines in the value of real estate, risks related to general and economic conditions, changes in the value of the underlying property owned by the trust and defaults by borrower.
- Writing and purchasing call and put options are highly specialized activities and entail greater than ordinary investment risks. The successful use of options depends in part on the future price fluctuations as the degree of correlation between the options and the securities markets. Values may fluctuate, and you may lose all of the cash paid for purchasing and could be at risk of losing the underlying stock if used to cover.
- Investments in commodities may have greater volatility than investments in traditional securities, particularly if the instruments involve leverage. The value of the investment are subject to changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments. Use of leveraged commodity-linked derivatives creates an opportunity for increased return but at the same time, creates the possibility for greater loss.

Part 9: Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client’s or investor’s evaluation of the adviser or the integrity of the adviser’s management. This section contains information on certain legal and regulatory matters affecting BPU.

Case No. 07-01864: Estate of Lewis A. Scull, Jr. vs. BPU Investment Group, Inc., et al. On or about June 18, 2008, a Statement of Claims was filed by the Estate of a deceased customer against 20 member, non-member and associated persons, 12 of which were related to or affiliated with

BPU (the “BPU Respondents”). In support thereof, Claimant alleged numerous grounds of wrongful conduct arising from the sale of high risk securities and investments to the decedent without properly determining his risk tolerances and investment objectives. Claimant further alleged that the Advisor employee of the BPU Respondents negligently handled the decedent’s accounts, causing him to sustain substantial monetary losses and adverse tax consequences.

All claims against the Non-BPU Respondents were settled without adjudication through FINRA arbitration. On or about July 15, 2008 an Award was entered jointly and severally in favor of the Claimant and against all but one BPU Respondent in the amount of One Hundred Eighty-Seven Thousand Five Hundred Dollars (\$187,500.00). In addition, an Award was entered against the Advisor individually in the amount of Sixty Two Thousand Five Hundred Dollars (\$62,500.00). Claimant’s request for punitive and treble damages and for counsel fees was specifically denied with prejudice.

Part 10: Other Financial Industry Activities and Affiliations

BPU is dually registered as a broker dealer with the SEC and is a member of FINRA. BPU is an introducing broker-dealer that clears transactions on a fully disclosed basis through Pershing, LLC. The principals and certain investment advisory representatives of BPU are also licensed agents for various insurance companies, as well as registered representatives of BPU. Therefore, the purchase or sale of a financial instruments including, but not limited to, stocks, bonds, mutual funds, insurance products and interests in the limited partnerships, or otherwise, executing transactions through BPU, may result in compensation to persons who are rendering financial advice and/or analysis.

While this arrangement may represent a conflict of interest in that it may give BPU an incentive to utilize BPU as broker-dealer of client assets, BPU attempts to mitigate the conflicts by allowing its clients to utilize any broker-dealer that they wish. Also, in order to mitigate this conflict, BPU, prior to each securities and/or insurance transaction under which the associates of BPU may receive compensation, clients will receive full disclosure of: 1) capacity in which BPU or associates are acting in the transaction and whether any compensation is to be earned by the owners or associates and 2) any interest that BPU or associates have in the transaction which may be adverse to your interest.

BPU also maintains a relationship with Underwriters Brokerage Service (“UBS”), who provides insurance solutions for our advisors and our clients. Transactions placed through UBS will result in a portion of the commission collected being paid to BPU.

Part 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

BPU has adopted a Code of Ethics (“Code”) pursuant to Rule 204A-1 under the Investment Advisers Act of 1940 and is predicated on the principal that BPU owes a fiduciary duty to its clients. Accordingly, employees of BPU must avoid activities, interests and relationships that run contrary (or appear to run contrary) to the best interest of clients. Therefore, BPU endeavors to maintain current and accurate records of all personal securities accounts of its employees in an

effort to monitor all such activity. The Code addresses a variety of topics relating to the appropriate conduct of investment advisory personnel, among other things, that employees:

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets;
- Place the integrity of the investment profession, the interests of clients, and the interests of the Company above one's own personal interests;
- Adhere to the fundamental standard that you should not take inappropriate advantage of your position;
- Avoid or disclose any actual or potential conflict of interest;
- Conduct all personal securities transactions in a manner consistent with this policy;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities;
- Practice and encourage others to practice in a professional and ethical manner that will reflect credit on yourself and the profession;
- Promote the integrity of, and uphold the rules governing, capital markets;
- Maintain and improve your professional competence and strive to maintain and improve the competence of other investment professionals.
- Comply with applicable provisions of the federal securities laws.

The Company's Code of Ethics also requires Employees to: 1) pre-clear certain personal securities transactions in IPOs and private offerings, 2) report personal securities transactions on at least a quarterly basis, and 3) provide the Company with a detailed summary of certain holdings (both initially upon commencement of employment and annually thereafter) over which such Employees have a direct or indirect beneficial interest.

On occasion, the Company's employees may buy or sell securities recommended to clients. If the possibility of a conflict or interest occurs, the client's interest will prevail. It is the policy of the Company that priority will always be given to the client's orders over the orders of an employee of the Company.

A copy of the Company's Code of Ethics shall be provided to any client or prospective client upon request.

Part 12: Brokerage Practices

If you wish to implement our advice you are free to select any broker you wish. If you wish to have our representatives implement the advice in their capacity as a registered representative of BPU, in our capacity as broker-dealer, will be used. Our representatives that are registered representatives of BPU and are required to use the services of BPU when acting in that capacity. Commissions charged for products sold through BPU, as broker-dealer, may be higher or lower than commissions clients may be able to obtain if transactions were implemented through another broker-dealer.

For certain wrap programs, you be required to establish your account with a particular custodian. BPU has an arrangement with a variety of custodians including: National Financial Services LLC and Fidelity Brokerage Services LLC, Pershing, and Charles Schwab, (collectively, and together with all affiliates, "custodians"), through which they provide BPU with "institutional platform services." The institutional platform services include, among others, brokerage, custody, and other related services.

Institutional platform services assist BPU in managing and administering clients' accounts include software and other technology that:

- provide access to client account data (such as trade confirmations and account statements);
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- provide research, pricing and other market data;
- facilitate payment of fees from its clients' accounts; and
- assist with back-office functions, recordkeeping and client reporting.

BPU does not currently maintain any formal soft dollar arrangements. However, Fidelity, Pershing and Schwab provide BPU with proprietary and third-party research and other products and services (i.e. receipt of duplicate trade confirmations and account statements, trading desk access, pricing information and other market data, the ability to aggregate clients' securities transactions, the ability to directly debit advisor fees from clients' accounts, receipt of compliance publications, and access to mutual funds which generally require significantly higher minimum initial investments or are generally available only to institutional investors) that qualify as "brokerage or research services" under Section 28(e) of the Securities Exchange Act of 1934 ("Exchange Act").

Our custodians also provide BPU with information and consulting services intended to help BPU manage and further develop its advisory practice. These services may include information technology consulting and marketing consulting, which involves plan/program development, execution, reviews, performance reporting, financial planning, contact management systems, publications, access to educational conferences, roundtables and webinars, practice management resources, access to consultants and other third party service providers who provide a wide array of business related services and technology with whom BPU may contract directly. BPU would receive these benefits regardless of the volume of trading it places any custodian. BPU is independently operated and owned and is not affiliated with any of the custodians or their affiliates.

The custodians generally does not charge its advisor clients separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through the custodian or that settle into custodial accounts (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity provides access to many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges.

Part 13: Review of Accounts

Ongoing review and analysis of the investment options is just as important as the due diligence process. There are two levels to review: Account and Investment portfolio.

Client accounts will be monitored on an ongoing basis, generally quarterly, at the time performance analyses are completed, and an annual client meeting to discuss goals and objectives.

We request our clients to inform BPU and their financial advisor, at least annually, of any changes in their financial condition or of any additional investment restrictions and/or modifications to existing investment restrictions our client wishes to impose. BPU immediately forwards to the program managers any responses, which would impact the daily management of the client portfolio. While there are no restrictions on the ability of our clients to contact and consult with the portfolio managers, it is generally preferred that they do so through, or together with, his or her financial advisor.

Our clients may elect to change investments or portfolio manager at any time. Should financial circumstances change or economic or market conditions change, to the extent that BPU feels that a change is advisable, or, if in BPU's opinion, the investments or portfolio manager selected can no longer meet the client's investment objectives or manage according to certain investment style parameters, or there is a fundamental change in the management which would mandate a switch in investments or portfolio manager the financial advisors may recommend changes in the portfolio.

The performance of the investment selections in the portfolio will be monitored on an ongoing basis; and, depending on the platform, it is BPU's discretion whether and when to take corrective action.

BPU has no discretion to change the client's investment program or model. Should client agree with the financial advisors recommendation to make a manager change, written authorization must be obtained.

Part 14: Client Referrals and Other Compensation

From time to time, an investment adviser representative of BPU travel for on-site visits with investment managers. The investment management companies, for the benefit of brokers, securities analysts, institutional investors and investment advisers, host these meetings. Typically, these meetings last for one and one half business days and the mutual fund or investment management company pays the travel and lodging expense.

The investment products of these companies are either currently used in client portfolios or are under consideration by BPU.

Officials and company representatives present information on and answer questions about a current or pending securities issues. Often these meetings include lectures by securities analysts, portfolio managers and client services executives. Meeting content includes industry

data, major trends, operational data, management information and the financial stability of the issuer. Facility tours are also often included as part of these meetings.

To address conflicts of interest, BPU maintains high level of screening for managers and via written questionnaire, telephone conversation, conference call or face-to-face meeting. Additionally, BPU conducts portfolio manager interviews. These interviews focus on investment committee composition, the hierarchy of decision-making, investment style, portfolio design and buy-sell discipline.

Part 15: Custody

BPU does not maintain custody of client assets, but rather directs them to the appropriate program custodian: Pershing, Fidelity or Schwab. The custodian provides to our clients, at least quarterly, statements containing account information including, but not limited to: Type, name, price per share and number of shares owned for each security.

BPU provides, at least quarterly, performance appraisals containing account information, including but not limited to: Type, name, price per share and number of shares owned for each security, their time weighted rates of return, and comparison to benchmarks chosen for performance evaluation. The performance appraisal should not be a substitute for the official custodial statements. Clients should compare account statements received from the qualified custodian to those they receive from BPU.

For certain programs for our clients on the Pershing platform, BPU provides this service via the Performance Link program. For all other advisory clients, performance appraisals are provided directly by BPU.

Part 16: Investment Discretion

BPU will accept discretionary authority to manage securities on behalf of clients. Discretion is limited to implementing portfolio strategy in accordance with the client's Investment Policy Statement via written agreement between the client and their advisor. Each platform has different paperwork and procedures, from a limited power of attorney to a discretionary trading agreement executed through the custodian's new account paperwork. Please see Appendix I for **BPU Sponsored Wrap Fee Programs**

Part 17: Voting Client Securities

In accordance with its fiduciary duty to clients and Rule 206(4)-6 of the Advisers Act, BPU has adopted and implemented written policies and procedures governing the voting of client securities.

Notwithstanding BPU's discretionary authority to make investment decisions on behalf of Client (Please see Appendix I: **BPU Sponsored Wrap Fee Programs**) we will not exercise proxy-voting authority over Client securities. The obligation to vote Client proxies shall at all times rest with Client. Client shall in no way be precluded from contacting BPU for advice or information about a particular proxy vote. However, we shall not be deemed to have proxy-voting authority solely as a result of providing such advice to Client.

Should BPU inadvertently receive proxy information for a security held in Client's account, then we will make a good faith effort to forward such information on to Client within a reasonable timeframe, but will not take any further action with respect to the voting of such proxy. Upon termination of its Agreement with Client, BPU shall make a good faith and reasonable attempt to forward any proxy information inadvertently received by us on behalf of Client to the forwarding address provided by the client.

A copy of BPU's written proxy voting policies and procedures, as well as a record of how BPU has voted in the past, will be maintained and available for review upon written request.

Part 18: Financial Information

A balance sheet is not required to be provided as BPU (i) does not solicit fees more than six months in advance, (ii) does not have a financial condition that is likely to impair its ability to meet contractual commitments to clients or (iii) has not been subject to any bankruptcy proceeding during the past 10 years.