

SHUFRO, ROSE & CO., LLC  
**INVESTMENT ADVISORY BROCHURE - AS OF MARCH 29, 2012**

**NOTE to SRC clients:**

In July 2010, the United States Securities and Exchange Commission (SEC) amended the rules under which investment advisers must make certain disclosures to their existing and prospective clients. This Investment Advisory Brochure is prepared according to the SEC's new requirements. It addresses 18 Items, in order. Text printed in *italics* is mandated by SEC rules and must be included, either verbatim or in substance, in this brochure.

***ITEM 1 – COVER PAGE***

Firm name and contact information:

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New York, NY 10151  
[www.shufrorose.com](http://www.shufrorose.com)  
212-754-5100

*This Brochure provides information about the qualifications and business practices of Shufro, Rose & Co., LLC (SRC). If you have any questions about the contents of this Brochure, please contact us at 212-754-5100 or [contact@shufrorose.com](mailto:contact@shufrorose.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 SRC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

***ITEM 2 – MATERIAL CHANGES***

SRC has made no material changes since its previous Investment Advisory Brochure, dated March 31, 2011.

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***ITEM 4 – ADVISORY BUSINESS***

Owners

Shufro, Rose & Co., LLC (SRC) was founded in 1938 as a discretionary asset manager. SRC is not affiliated with any other active business entity and is owned entirely by SRC's working Members, each of whom is a Senior Managing Director and also serves as a Portfolio Manager. The current Senior Managing Directors are:

EDWARD G. SHUFRO, born 1935, received his B.A. from Yale College in 1955 and his M.B.A. from Harvard in 1958. He joined the firm in 1958 and became a Principal in 1965. His father, Salwyn Shufro (1905-2001), was a co-founder of SRC.

STEPHEN LEIT, born 1945, received his B.A. from the University of Rochester in 1967 and his M.A. from Northwestern University in 1970. He became a Chartered Financial Analyst (CFA) in 1978, joined the firm in 1984, and became a Principal in 1989.

STEVEN J. GLASS, born 1967, received his B.S. in Business Administration from the University of Hartford in 1988 and joined the firm the same year. He became a Principal in 1997.

HARVEY WACHT, born 1945, received his B.B.A. from Baruch College in 1967. He became a Certified Public Accountant (CPA) in 1972 and was a Principal at Herzog Heine Geduld for thirty years in senior executive and investment positions. He joined the firm in 2001 and became a Principal in 2003.

JOHN M. CONTANT, born 1974, received his B.S. in Finance from Lehigh University in 1996 and joined the firm that year. He became a Principal in 2004.

GREGORY D. SHUFRO, born 1969, received his B.A. in English from the University of Pennsylvania in 1991 and his J.D. from Fordham University School of Law in 1997. Prior to joining the firm in 2003, he practiced law in New York and specialized in securities litigation and bankruptcy. He became a Principal in 2008. He is the son of Edward G. Shufro.

TONIA L. KAMINSKY, born 1968, received her B.S. in Business Administration from the University of Massachusetts Amherst in 1991 and joined the firm in 1999. She became a Principal in 2009.

Additional information will be available to clients in SRC's brochure supplements, in accordance with SEC requirements.

Types of Advisory Services

Since its founding 74 years ago, SRC has had a notable continuity of personnel and investment policy. SRC's primary business has been providing discretionary asset management in separate accounts for individuals and families. SRC also manages ERISA accounts. Each account is assigned to a Portfolio Manager (except for two Portfolio Managers who work jointly) who has primary responsibility for formulating investment advice and exercising discretion for such account (Primary Portfolio Manager). Although all Portfolio Managers share investment ideas, some Primary Portfolio Managers are also supported by, and work closely with, one or more other Portfolio Managers in the management of accounts. The Portfolio Managers primarily invest client assets in stocks and other exchange-traded securities, closed-end funds and bonds. Portfolio Managers typically maintain cash or cash equivalent positions as well. In the current low interest rate environment, some Portfolio Managers have begun using short-term bond mutual funds instead of money market funds. One Portfolio Manager also routinely invests in mutual funds and utilizes options primarily to increase revenue and/or reduce downside risk. Currently, Portfolio Managers do not offer advice on private placements, variable annuities, and non-conventional investments, such as asset-backed securities and derivative products. (On a very limited basis, some clients have transferred in small positions in asset backed securities, which positions have not been liquidated.)

Individualized Advisory Services

SRC does not use rigid allocation or diversification models. Although each manager will consider these principles when investing an account or family group, there are no specific thresholds for asset classes, market capitalizations or market sectors. None of the Portfolio Managers use "model portfolios," although some Managers tend to have more overlap in the holdings across their managed accounts than others. Instead, every transaction follows a deliberate review of the account by the Primary Portfolio Manager. At account inception and any time thereafter, clients may impose reasonable restrictions on what assets may be purchased for, or sold from, their accounts.

SRC does not issue lists of "recommended" securities or strategies. To the maximum extent permissible, Portfolio Managers exercise their individual judgment regarding all purchases, sales and investment advice for the accounts they supervise using those investment techniques and methods which they believe are appropriate. Different Portfolio Managers (i) employ different investment techniques, (ii) produce different outcomes, and (iii) have different fee schedules. Further, the highly individualized, hands-on investment management approach means that even accounts with similar investment profiles which are managed by the same Primary Portfolio Manager may own different securities from one another and have different results.

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Some Portfolio Managers may manage several accounts together as a "family group" of accounts for the convenience of the Portfolio Manager and to reduce administrative costs.

#### Assets Under Management

As of December 31, 2010, SRC managed approximately \$1,355,000,000 on a discretionary basis.

#### **ITEM 5 – FEES AND COMPENSATION**

Each Portfolio Manager charges a combination of fees and commissions suited to his/her investment style and strategies. The standard fee schedules currently offered by the various Portfolio Managers are provided below.

<b>Annual Fee (based on average daily equity)</b>	<b>Commissions (which includes ticket charges)</b>
1% on all assets	equities: 1% of the total trade, min \$15, max \$250 bonds: \$2.50/bond, min \$25, max \$250 other: as equities
1.50% on first \$500,000 1.25% on first \$5,000,000 1.00% thereafter	equities and exchange-traded securities: \$0.10/share bonds and certificates of deposit: \$2/bond options: \$2.50/contract mutual funds: \$25/trade min: \$25.00 per trade
1% on first \$5 million 0.8% on next \$5 million 0.7% thereafter	equities: \$0.10/share, min \$15, max \$75 bonds: \$25/trade other: as equities
1% (excludes municipal bonds, which are not subject to a fee)	bonds: \$2.50/bond, min \$25 equities: \$0.10/share, min \$15 other: as equities
1% (excludes municipal bonds exempt from federal taxes, which are not subject to a fee)	equities and exchange-traded securities: \$0.10/share bonds: \$5.00 per bond for those municipal bonds which are not subject to a fee \$2.50 per bond for all other bonds other: unless notified otherwise, these will be subject to the charges incurred by SRC in executing transactions max: 1.5% of the adjusted assets under management in annual fees and commissions.

Unless directed by the client otherwise, fees are deducted from the account or from a related account. (For example, for some clients, advisory fees for IRA accounts are deducted from the clients' taxable accounts.) Billing is done quarterly in arrears. During

2011, one Portfolio Manager changed his fee schedule to reduce commissions and increase fees. All affected clients were notified and gave written consent. When fees are deducted, the charge is shown on the monthly statement for the month in which the charge is made. Fees are prorated for accounts which open or close during the billing period. In some circumstances clients may pay lower fees and commissions and various aspects of the schedules may be negotiable. Also, longstanding clients may use other schedules which contain different terms from the ones offered to new clients. If an account transfers to a different Primary Portfolio Manager within SRC, the original fee schedule still governs the account, unless a new arrangement is agreed upon. The average daily equity is based on all days within the period, including weekends and market holidays, which means that Friday valuations account for at least 3/7<sup>th</sup> of the average. SRC has no reason to believe that this practice impacts the fees charged.

Clients do not pay any other charges to SRC in connection with account management. Some trades are assessed regulatory fees (*e.g.*, CBOE fees for options, and an SEC fee for all sales). IRA accounts pay J.P. Morgan Clearing Corp. (JPMCC) a custodian fee for serving as the custodian. If foreign securities are purchased, additional charges for exchanging currency may be charged by JPMCC. With respect to the investments in mutual funds including ETFs, management/marketing fees are charged by such funds. These fees are included in the cost of the shares and are disclosed in the prospectuses that are sent by JPMCC at the time of the purchases. In some cases, a portion of those fees is directed to SRC. In 2011, the net revenue from these fees amounted to less than one quarter of one percent (0.25%) of advisory revenues. Further, while SRC does not generally select money market funds which pay rebates, certain clients who want check-writing privileges use such funds. SRC receives an insignificant sum (considerably less than it received in 12b-1 fees) in rebates from such money market funds.

SRC serves as the principal broker for its investment advisory clients and charges the rates disclosed in the fee schedules. Lower rates may be available elsewhere. See Item 12 for discussion of brokerage practices. The SEC requires firms which accept commissions to state that *this practice presents a conflict of interest and gives the firm an incentive to recommend investment products based on the compensation received rather than on the client's needs. Not all investment advisory firms require their clients to purchase the investment products through affiliated brokers.*

Notwithstanding the SEC's stated concerns, SRC has been conducting business in substantially the same way for decades and believes that its balance of fees and commissions is consistent with its fiduciary duty and creates an appropriate alignment of interests between the Portfolio Managers and their clients. Over the years, commissions have become a decreasing percentage of SRC's revenue. In 2011, approximately 85% of SRC's revenue was generated in fees, only 15% from commissions (including commissions on its non-advisory business, which is discussed in Item 10). Clients can track their commissions on their transaction confirmations. **Moreover, advisory fees**

**and transaction charges are the only material sources of revenue for SRC.** Unlike many broker dealers, SRC does not have significant "hidden" revenue sources - such as "soft" dollars, referral fees, mark-ups or pull-backs, underwriting fees and concessions, product or cash balance overrides, payment for order flow, directed trades, or other fees.

***ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT***

SRC does not charge any performance-based fees.

***ITEM 7 – TYPES OF CLIENTS***

Over 90% of SRC's clients are individuals, or trusts established by individuals, including IRAs and retirement accounts. The remaining accounts consist of pension, profit-sharing, 401(k) and other retirement plans, charitable, educational, endowment and corporate accounts as well as family limited partnerships or investment clubs.

***ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS***

*Investing in securities involves risk of loss that clients should be prepared to bear.*

SRC manages individualized portfolios for clients based upon their personal objectives, goals and risk tolerances. Portfolio Managers take into account a client's future income requirements, age and present financial circumstances. Imperatives for income and safety of principal are balanced with the need for inflation protection and willingness or ability to assume risk in order to facilitate future growth. An intended investment approach and portfolio construction result from this synthesis of requirements. Portfolios are reviewed at least quarterly for consistency with the intended investment approach.

Depending on the investment objectives and risk tolerance of the client, a portfolio may include stocks, bonds and cash equivalents, and, less frequently, preferred stocks, open and closed end funds or exchange traded funds representing a basket of equities or fixed income securities. In isolated cases, and only with separate signed approval by the client, a Portfolio Manager may also use exchange listed options or margin. Within a given asset class, Portfolio Managers employ a variety of traditional valuation techniques designed to signal when a security is advantageously priced and offers potential for price appreciation. Such indicators include, but are not limited to: price to earnings comparisons, price to sales comparisons, expected growth rates, historical valuations, leverage ratios, price to book values and cash flow analyses, as well as considerations regarding company management and style. SRC's investment horizon is normally long term so its perspective in assessing a potential investment incorporates a multi-year assessment of the security's likely performance relative to peers and to the general market.

SRC tends to maintain clients' investment positions for an extended time, resulting in a minimization of trading costs and taxes. However, if a security achieves what we

consider its full value or if circumstances warrant selling sooner than originally expected, turnover and therefore trading costs and taxes may increase.

SRC attempts to mitigate the risks posed by individual securities by either holding a mix of securities in different asset classes, such as stocks, bonds and cash, or by balancing a predominantly equity portfolio with cash to offset market declines. This has been an effective way to reduce downside risk in the severe market declines that have occurred in recent years. SRC often seeks to diversify holdings across industry classes within each portfolio or family group. Due to special circumstances (such as large, very low cost basis positions), some accounts have larger than average positions. Primary Portfolio Managers use their discretion to determine the composition of each portfolio or family group.

The Portfolio Managers' assessment of any security's likely future performance is inherently a prediction and, although based on careful consideration, it is subject to uncertainty and risk that the outlook might prove wrong. An outcome contrary to what we envision may arise from a number of factors, such as: an erroneous assessment of the value offered by the security, either by wrongly anticipating earnings or misperceiving what a "standard" valuation should be for the type of security in question; a change in the fundamental business and industry dynamics that we fail to anticipate; an allocation of capital by the company that changes value and renders our forecasts invalid, or a mistaken reading of the future economic environment. If any of these risks materialize, the resulting loss, if any, would negatively contribute to the performance of the client's portfolio.

In addition to these risks, fixed income securities are subject to risks on account of or due to changes in interest rates, credit quality and prepayments.

This list of risks is not exhaustive. For certain securities purchased for accounts, such as mutual funds and newly issued municipal bonds, clients receive prospectuses and official statements which identify the risk factors associated with those securities and issuers. Clients are encouraged to review such disclosure documents.

#### ***ITEM 9 – DISCIPLINARY INFORMATION***

The SEC presumes that certain regulatory events that have occurred within the prior ten years are material. In 2005, SRC settled allegations with the NASD that it had failed to report yields on TRACE, which was the NASD's new system for reporting corporate bond transactions. SRC did report prices, however, and its failure to report yields to TRACE did not disadvantage SRC clients in any way – it did not affect the yields received by clients, or the disclosures to the clients, or otherwise impact the management of client accounts. SRC corrected its omission immediately upon learning of its error.



***ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES OR AFFILIATIONS***

SRC is a broker-dealer registered with the NYSE and FINRA. SRC earns commissions in effecting securities transactions for a limited number of accounts which are not subject to advisory agreements. Brokerage is the only other activity in which SRC engages other than investment management.

***ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING***

SRC has implemented important measures to ensure that it adheres to its responsibilities to treat its clients with the high level of fiduciary attention and care to which they are entitled.

Code of Ethics

SRC has adopted a Code of Ethics detailing the standards of conduct expected of its associated persons. The Code of Ethics and other written procedures of SRC contain policies reasonably designed to prevent violations of the federal securities laws. Among other things, they prohibit the unlawful use of material non-public information by SRC or any of its associated persons, require SRC's personnel to report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and private placements. The Code of Ethics permits SRC employees, including the Portfolio Managers, to invest in the same securities as SRC's clients, consistent with SRC's fiduciary duty to its clients. Portfolio Managers are prohibited from day-trading any securities which are held in advisory client accounts. Primary Portfolio Managers are also obligated to make contemporaneous records if they trade the opposite way from their clients.

SRC will provide clients and prospective clients a copy of its Code of Ethics upon request.

Personal Trading and Participation or Interest in Client Transactions

The Primary Portfolio Managers routinely buy and own for themselves the same securities that they recommend to their clients. SRC believes this demonstrates the Portfolio Managers' faith in the securities they recommend. SRC recognizes, however, that this overlap can create potential conflicts of interest, particularly because SRC's business model encourages Portfolio Managers to use highly customized, subjective allocations to satisfy individual client needs. Although the Portfolio Managers believe they do not engage in personal trading to their clients' detriment, and that all clients are treated fairly and equitably over time, some disparities in any given trade may result. SRC has developed procedures to mitigate some of the effects of such conflicts. Primary Portfolio Managers may not buy or sell a security that is being purchased, sold or considered for the client accounts they manage until they have reviewed all their client

accounts and determined that the trades they are entering for themselves (or for their related accounts) have already been entered for the clients for whom they intend to trade at that time. Further, when Portfolio Managers trade in their own accounts on the same day as the client accounts over which they exercise primary management responsibility, they are not permitted to receive better executions than their client trades executed on the same day.

Notwithstanding these procedures, changes in market conditions, fluctuations in cash balances (due to, among other things, new deposits, accumulation of dividends and interest, settlement of other trades, maturity dates of bonds) and other idiosyncratic needs of clients drive the Portfolio Managers' allocation decisions. Accordingly, unlike firms with rigid asset allocation and rebalancing programs, not all the clients of a Portfolio Manager who buys (or sells) a security will do so on the same day, and some may buy or sell after the Portfolio Manager has bought (or sold) for himself and for his family accounts. Depending on the availability of the security, subsequent price movements, the frequency with which the security trades, and other subjective factors considered by the Portfolio Manager, clients may not all receive allocations at or about the same time as other clients, or as the Portfolio Managers themselves.

As part of the daily review, the branch office manager reviews all SRC Portfolio Managers' trades.

#### Firm Trading

SRC does not maintain principal accounts. It does not buy or sell securities to its clients (except to correct occasional trade errors) or invest on its own behalf. It crosses trades between advisory client accounts only infrequently and then only after making diligent efforts to confirm the price with multiple sources.

#### ***ITEM 12 – BROKERAGE PRACTICES***

SRC executes all but a very limited number of its client trades as the broker. Most of the trades are directed through SRC's clearing firm, JPMCC. SRC has no formal soft dollar commitments. However, SRC does receive research from various brokers, including SRC's clearing firm. Although SRC executes trades from time to time with some of the brokers which provide it with research, SRC does not believe that its receipt of such research is material to its selection of brokers.

SRC has two employees who process SRC's trades and monitor the executions in an effort to ensure that SRC clients receive best execution. The CCO periodically reviews select trades for quality of execution to assess the firm's compliance with its effort to ensure it meets its best execution obligations.

*Not all investment advisory firms require their clients to direct brokerage. By directing brokerage, SRC may not be able to achieve the most favorable execution of client transactions, and this practice might cost clients more money.*

Aggregation of client orders

Absent special circumstances (such as client deposits occurring mid-day), all discretionary client trades in advisory accounts executed on a single day, on the same side of the market, by the same Primary Portfolio Manager (or Primary Portfolio Manager Team), are averaged together. This practice is designed to treat all clients fairly, but it may result in a better or worse price for any particular trade. Same day/same side trades by other Portfolio Managers at the firm, even ones who support or work closely with each other, may not be averaged with each other, meaning that clients of different Primary Portfolio Managers may have different prices on any given day.

**ITEM 13 - REVIEW OF ACCOUNTS**

The Primary Portfolio Managers review the advisory accounts they manage at least quarterly. In practice, accounts with significant equity positions are reviewed more regularly, as warranted by changes regarding the issuers and movements in the market, economy and political environment. When reviewing accounts, the Portfolio Managers look for percentage allocation in specific investments and/or industry class, assets allocations, among other factors, as they relate to the client's individual circumstances.

Clients are encouraged to notify their Portfolio Managers whenever they have changes to their financial circumstances, investment objectives and/or risk tolerances. Such communications trigger additional account reviews to assess the new information.

At the beginning of each year the Primary Portfolio Managers send reports to their clients which show, among other things, the account's performance over the preceding 12 months, as well as all fees deducted from that account during the prior year. This is in addition to the transaction confirmations and periodic account statements sent by the custodian.

**ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

As noted throughout this Investment Advisory Brochure, all of SRC's significant revenue sources are entirely transparent to its clients. Other than fees and commissions on its advisory accounts, and commissions on its brokerage business, SRC's only other sources of revenue are those disclosed in Item 5 and minimal interest earned on its own money market instruments. In 2011, the gross revenue from all these sources was approximately 0.05% of the firm's gross revenues.

***ITEM 15 – CUSTODY***

SRC's client assets are custodied at JPMCC. JPMCC sends monthly statements identifying account activity and positions. At year end and as otherwise requested by clients, SRC sends account analyses and/or position listings to clients. *When clients do receive such statements, they are urged to compare those statements to the ones sent by JPMCC.* (Fewer than 1% of SRC's clients custody their assets elsewhere, at custodians they have chosen for themselves. In those instances, the selected custodian sends periodic account statements.)

***ITEM 16 – INVESTMENT DISCRETION***

As noted in Item 4, SRC's primary business model involves providing discretionary asset management to its clients. At the commencement of the relationship and for each new account, each client executes an investment advisory agreement which grants SRC authority to execute trades in the account. SRC cannot execute trades on margin or in options without further written client approval.

***ITEM 17 – VOTING CLIENT SECURITIES***

SRC does not have, and will not accept, authority to vote its client securities. Clients will receive proxies or other solicitations directly from the custodian. If clients have questions about particular solicitations they may contact their Portfolio Manager.

***ITEM 18 – FINANCIAL INFORMATION***

This Item is inapplicable to SRC, as it does not charge clients in advance and there are no financial conditions that might impair SRC's obligations to its clients. Neither SRC nor any of its principals have ever been subject to a bankruptcy.