

## **Item 1. Cover Page**

### **Part 2A of Form ADV Firm Brochure**

March 14, 2012

#### **Front Barnett Associates, LLC**

SEC File No. 801-46599

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This brochure provides information about the qualifications and business practices of Front Barnett Associates, LLC. If you have any questions about the contents of this brochure, please contact us at [cgesior@front-barnett.com](mailto:cgesior@front-barnett.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or any State Securities Commission.

Additional information about Front Barnett Associates, LLC, is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2. Material Changes**

Initial publication date is March 31, 2011.

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## **Item 4. Advisory Business**

### **A. General Information**

Front Barnett Associates LLC ( "Front Barnett" or "the firm"), was founded in May 1994 as an independent investment counseling firm providing discretionary asset management services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and other legal entities. Front Barnett's goal is to achieve above-average after-tax returns on client portfolios over a market cycle. The firm is principally owned by its chairman and CEO, Marshall Front, and other employees of the firm.

### **B. Investment Management and Financial Advisory Services**

Each client relationship is under the direct, continuous management of a team of professionals led by an officer of the firm. In addition to its asset management services, Front Barnett provides a broad range of informal collateral financial advice to clients in connection with estate planning, tax and general business matters as more fully described below.

#### **B.1. Discretionary Asset Management Services – Core Equity Portfolios**

Front Barnett's core equity portfolio employs a growth and value-blended investment strategy. The firm believes this approach is likely to produce more consistent returns over the long term than either style on a stand-alone basis. Front Barnett's equity portfolios are broadly diversified with large, mid and small capitalization securities composed of domestic and foreign domiciled common stocks, index funds, mutual funds, exchange traded funds, and exchange traded notes.

Front Barnett utilizes a disciplined approach, intensely monitoring its proprietary Economic Model and employing a wide range of thoroughly researched security choices.

#### **B.2. Discretionary Asset Management Services – Fixed Income Portfolios**

Front Barnett manages its fixed income portfolios through active management, duration control, broad sector diversification, maintenance of issues with maturities of generally 10 years or less, and continuity of income streams ordinarily through use of investment-grade instruments.

#### **B.3. Financial Advisory Services**

As an adjunct to its discretionary asset management services, Front Barnett provides clients with informal advice concerning tax and estate planning issues as well as on general business matters based upon each client's unique needs. Such advice, provided without charge and in the context of the firm's asset management activities, is not intended to be a stand-alone service subject to separate fees. Front Barnett charges an asset-based fee for all of its services as more fully described in Item 5 of this Brochure.

### **C. Front Barnett's Client-Centric Investment Philosophy**

Client relationships are managed on the basis of the individual client's financial situation and investment objectives, and in accordance with any reasonable restrictions imposed by the client on the management of his or her account.

### **D. Wrap Fee Programs**

Front Barnett does not participate in wrap fee programs. (Wrap fee programs offer services for one all-inclusive fee.)

### **E. Assets Under Management**

Front Barnett currently has \$506,945,940 in client assets under supervision.

## Item 5. Fees and Compensation

### A. Investment Advisory and Financial Planning Fees

Front Barnett's advisory fees are based solely upon the fee schedule contained in the investment advisory agreement between the client and the firm as agreed to at the outset of the relationship. These advisory fees are asset-based and are payable quarterly in advance. This fee will be prorated if the investment advisory relationship commences or is terminated at a time other than at the beginning of a calendar quarter. Fees will be refunded on a pro rata basis. A client investment advisory agreement may be canceled at any time, by either party, for any reason upon receipt of written notice. The client has the right to terminate an agreement without penalty within five (5) business days after entering into the agreement.

#### A.1. Asset Management Fees

The annual recommended fee for services provided by Front Barnett will be charged as a percentage of assets under supervision by the firm, billed quarterly in advance. Front Barnett's current asset-based fee schedule for new accounts is detailed below:

<u>Portfolio Value</u>	<u>Annual Fee*</u>
First \$1,000,000.00	1.00%
Next \$4,000,000.00	0.75%
Next \$10,000,000.00	0.60%
On the next \$35,000,000.00	0.50%

\*Minimum Annual Fee: \$10,000

Front Barnett generally requires a minimum account fee of \$10,000 for accounts it manages. For accounts with portfolio assets less than \$1,000,000 clients may be able to obtain more favorable pricing elsewhere. Front Barnett, in its sole discretion, may waive the required minimum or aggregate related accounts to meet the minimum fee.

The client authorizes the custodian of client's securities to automatically deduct Front Barnett's advisory fee payable to the advisor from the assets in the account when due, with such payments to be reflected on the next custodian's account statement sent to the client. If insufficient cash is available to pay such fees, sufficient securities will be liquidated to pay for the unpaid balance. Front Barnett may modify the fee at any time upon thirty (30) days written notice to the client.

Generally, fees will be charged in advance. The client and the client's custodian or broker-dealer will be invoiced at the beginning of each calendar quarter, based upon the market value (market value plus any credit balance or minus any debit balance) of the client's account at the end of the previous quarter, as mutually agreed upon by the client and Front Barnett.

## **B. Payment of Fees**

Front Barnett will not take custody or possession of client's funds or securities at any time except to the extent that the firm may deduct fees directly from the client's account. Front Barnett's fees will be billed directly to and paid from the client's account by the custodian of the client's securities.

Front Barnett will deduct its advisory fees directly from the client's account provided that:

- the client provides the qualified custodian written authorization;
- a bill is sent in advance to both the client and the custodian at the same time;
- the bill shows the amount of the fee, how it was calculated, and the value of the assets on which the bill is based; and,
- the qualified custodian sends the client a statement, at least quarterly, indicating all amounts disbursed from the account.

The client is responsible for verifying the accuracy of the fee calculation, as the client's custodian will not verify the calculation. Front Barnett's fees will be disbursed to the firm by the qualified custodian of the client's investment accounts, subject to prior written consent of the client. The qualified custodian will deliver directly to the client an account statement, at least quarterly, showing all investment and transaction activity for the period, including fee disbursements from the account.

## **C. Other Fees**

The fees charged by Front Barnett do not include fees charged by any exchange traded fund, mutual fund, pooled investment vehicle, or any broker-dealer or custodian selected by the client. The management fees for pooled investment vehicles are disclosed in their confidential offering memoranda and applicable subscription documents. In the case of an exchange traded fund or mutual fund, fees are disclosed in the respective fund's prospectus. Clients are advised to read these materials carefully. If a mutual fund also imposes sales charges, the client may pay an initial or deferred sales charge as further described in the mutual fund's prospectus. A client using Front Barnett's services may be precluded from using certain mutual funds or separate account managers because they may not be available through the client's custodian.

The fees charged by Front Barnett do not include any fees charged by a broker-dealer or custodian retained by a client to implement Front Barnett's advice or to otherwise hold the client's portfolio securities.

## **D. Prepayment of Fees**

FBA requires the prepayment of its advisory fees. Advisory fees are always subject to the investment advisory agreement between the client and Front Barnett. Asset-based fees are payable quarterly in advance. The fees will be prorated if the investment advisory relationship commences otherwise than at the beginning of a calendar quarter. There will be no fee adjustments for contributions to and distributions from a client's portfolio.



A client investment advisory agreement may be canceled at any time by the client, or by Front Barnett with thirty (30) days prior written notice to the client. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. The client has the right to terminate an agreement without penalty within five (5) business days after entering into the agreement.

### **E. External Compensation**

Front Barnett's financial advisors are compensated solely through a salary and bonus structure. Front Barnett is not paid any sales, service or administrative fees for the sale of mutual funds or any other investment products.

## **Item 6. Performance-Based Fees**

Front Barnett does not charge performance-based fees and therefore has no economic incentive to manage clients' portfolios in any way other than what it believes to be in the clients' best interests.

## **Item 7. Types of Clients**

Front Barnett offers personalized investment management services to high-net-worth individuals and related trusts, charitable organizations, pension and profit sharing plans, corporations and other business entities. Although Front Barnett provides investment services to the various types of clients mentioned, the services are conditioned upon meeting the following certain minimum criteria established by the firm.

Front Barnett generally requires a minimum account fee of \$10,000 for accounts it manages. For accounts with portfolio assets less than \$1,000,000 clients may be able to obtain more favorable pricing elsewhere. Front Barnett, in its sole discretion, may waive the required minimum or aggregate related accounts to meet the minimum fee.

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

Front Barnett is responsible for identifying and implementing analytical methodologies used in formulating investment recommendations to clients. The methods of research may include fundamental analysis, quantitative methods for optimizing client portfolios, computer-based risk/return analysis, and statistical and/or computer models utilizing long-term economic criteria. Front Barnett may retain independent third parties to work in conjunction with its management team to provide input and guidance for the investment direction communicated by the firm. Front Barnett may utilize third-party software to assist in formulating investment recommendations to clients.

### **A. Methods of Analysis and Investment Strategies**

Based upon the client's investment objectives, portfolios under the supervision of Front Barnett may include cash equivalents, fixed income securities and equity securities.

#### **A.1. Equity Portfolios**

Front Barnett invests in domestic and foreign large, mid and small capitalization companies and other vehicles as described under A.3. below. The methods of analysis for these investments may include:

- fundamental and technical analysis
- input from portfolio managers
- economic models
- quantitative methods for optimizing client portfolios
- computer-based risk/return analysis
- statistical and/or computer models utilizing long-term economic criteria

In addition, Front Barnett continually reviews its proprietary Economic Model, research material prepared by others, corporate filings, corporate rating services, corporate press releases and a variety of financial publications to develop insights useful in securities selection.

A description of the factors to be used in formulating investment advice and recommendations are as follows:

- economic outlook
- capital markets
- political, social and demographic trends
- international conditions
- supply/demand considerations

Front Barnett may utilize independent third parties to assist in recommending and monitoring individual equity securities and other investment vehicles to clients as appropriate under the circumstances.

### **A.2. Fixed Income Portfolios**

Front Barnett recognizes that clients generally assume market risk in the equity portion of their portfolio and, as a result, the firm ordinarily limits its fixed income risk exposure by investing in investment-grade bonds and by controlling the bond portfolio's duration. Duration is defined as the weighted average time until cash flows are received and is measured in years. The methods of analysis for these investments may include:

- fundamental and technical analysis
- input from portfolio managers
- economic models
- quantitative methods for optimizing client portfolios
- computer-based risk/return analysis
- statistical and/or computer models utilizing long-term economic criteria
- reports of outside bond specialists and rating services

### **A.3. Material Risks of Investment Instruments**

Front Barnett typically invests in equity securities, corporate and bank-sponsored debt instruments, municipal fixed income instruments, government securities including asset-backed securities, and other securities as detailed below:

- Equity securities
- Warrants and rights
- Mutual fund securities
- Exchange traded funds
- Exchange traded notes
- Corporate debt securities, commercial paper and certificates of deposit
- Municipal securities
- U.S. government securities
- Government and agency mortgage-backed securities
- Corporate debt obligations
- Mortgage-backed securities
- Collateralized obligations

#### **A.3.a. Equity Securities**

Front Barnett may invest in individual equity securities. Investing in individual companies involves inherent risk. The major risks relate to the company's capitalization, quality of the company's management, quality and cost of the company's services, the

company's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk, and the company's ability to create shareholder value (i.e., increase the value of the company's stock price). Foreign securities, in addition to the general risks of equity securities, have geopolitical risk, financial transparency risk, currency risk, regulatory risk and liquidity risk.

#### **A.3.b. Warrants and Rights**

Front Barnett may invest in warrants and rights. Warrants are securities, typically issued with preferred stock or bonds, that give the holder the right to purchase a given number of shares of common stock at a specified price and time. The price of the warrant usually represents a premium over the applicable market value of the common stock at the time of the warrant's issuance. Warrants have no voting rights with respect to the common stock, receive no dividends, and have no rights with respect to the assets of the issuer.

Investments in warrants and rights involve certain risks, including the possible lack of a liquid market for the resale of the warrants and rights, potential price fluctuations due to adverse market conditions or other factors, and failure of the price of the common stock to rise. If the warrant is not exercised within the specified time period, it becomes worthless.

#### **A.3.c. Mutual Fund Securities**

Front Barnett may invest in mutual funds. Investing in mutual funds carries inherent risk. The major risks of investing in a mutual fund include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification, and the type and amount of sector diversification within specific industries. In addition, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold the fund.

#### **A.3.d. Exchange Traded Funds ("ETFs")**

Front Barnett may invest in ETFs (which may, in turn, invest in equities, bonds and other financial vehicles). ETFs are investment companies whose shares are bought and sold on a securities exchange. An ETF holds a portfolio of securities designed to track a particular market segment or index. Some examples of ETFs are SPDRs<sup>®</sup>, streetTRACKS<sup>®</sup>, DIAMONDS<sup>SM</sup>, NASDAQ 100 Index Tracking Stock<sup>SM</sup> ("QQQs<sup>SM</sup>"), iShares<sup>®</sup> and VIPERs<sup>®</sup>. The funds could purchase an ETF to gain exposure to a portion of the U.S. or foreign market. The funds, as a shareholder of another investment company, will bear their pro rata portion of the other investment company's advisory fee and other expenses, in addition to their own expenses.

Investing in ETFs involves risk. Specifically, ETFs, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any

upward price movement of the ETF or enhancing any downward price movement. Also, ETFs require more frequent portfolio reporting by regulators and are thereby more susceptible to actions by hedge funds that could have a negative impact on the price of the ETF. Certain ETFs may employ leverage, which creates additional volatility and price risk depending on the amount of leverage utilized, the collateral and the liquidity of the supporting collateral.

Further, the use of leverage (i.e., employing the use of margin) generally results in additional interest costs to the ETF. Certain ETFs are highly leveraged and therefore have additional volatility and liquidity risk. Volatility and liquidity can severely and negatively impact the price of the ETF's underlying portfolio securities, thereby causing significant price fluctuations of the ETF.

#### **A.3.e. Exchange Traded Notes ("ETN")**

Front Barnett may invest in ETNs, which are structured debt securities. ETN liabilities are unsecured general obligations of the issuer. Most ETNs are designed to track a particular market segment or index. ETNs have expenses associated with their operation. When a fund invests in an ETN, in addition to directly bearing expenses associated with its own operations, it will bear its pro rata portion of the ETN's expenses. The risks of owning an ETN generally reflect the risks of owning the underlying securities the ETN is designed to track, although lack of liquidity in an ETN could result in it being more volatile than the underlying portfolio of securities. In addition, because of ETN expenses, compared to owning the underlying securities directly it may be more costly to own an ETN. The value of an ETN security should also be expected to fluctuate with the credit rating of the issuer.

#### **A.3.f. Corporate Debt, Commercial Paper and Certificates of Deposit**

Front Barnett may invest in individual corporate debt, commercial paper and certificates of deposit. Fixed income securities carry additional risks than those of equity securities described above. These risks include the company's ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S or foreign) and currency risk. If bonds have maturities of 10 years or greater, they will likely have greater price swings when interest rates move up or down. The shorter the maturity the less volatile the price swings. Foreign bonds also have liquidity and currency risk.

Commercial paper and certificates of deposit are generally considered safe instruments, although they are subject to the level of general interest rates, the credit quality of the issuing bank and the length of maturity. With respect to certificates of deposit, depending on the length of maturity there can be prepayment penalties if the client needs to convert the certificate of deposit to cash prior to maturity.

#### **A.3.g. Municipal Securities**

Front Barnett may invest in individual municipal securities. Municipal securities carry additional risks than those of corporate and bank-sponsored debt securities described

above. These risks include the municipality's ability to raise additional tax revenue or other revenue (in the event the bonds are revenue bonds) to pay interest on its debt and to retire its debt at maturity. Municipal bonds are generally tax-free at the federal level, but may be taxable in individual states other than the state in which both the investor and municipal issuer is domiciled.

#### **A.3.h. U.S. Government Securities**

Front Barnett may invest in U.S. government securities. U.S. government securities include securities issued by the U.S. Treasury and by U.S. government agencies and instrumentalities. U.S. government securities may be supported by the full faith and credit of the United States.

#### **A.3.i. Government and Agency Mortgage-Backed Securities**

Front Barnett may invest in government and agency mortgage-backed securities. The principal issuers or guarantors of mortgage-backed securities are the Government National Mortgage Association ("GNMA"), Fannie Mae ("FNMA") and the Federal Home Loan Mortgage Corporation ("FHLMC"). GNMA, a wholly owned U.S. government corporation within the Department of Housing and Urban Development ("HUD"), creates pass-through securities from pools of government-guaranteed (Farmers' Home Administration, Federal Housing Authority or Veterans Administration) mortgages. The principal and interest on GNMA pass-through securities are backed by the full faith and credit of the U.S. government.

FNMA, which is a U.S. government-sponsored corporation owned entirely by private stockholders that is subject to regulation by the secretary of HUD, and FHLMC, a corporate instrumentality of the U.S. government, issue pass-through securities from pools of conventional and federally insured and/or guaranteed residential mortgages. FNMA guarantees full and timely payment of all interest and principal, and FHMLC guarantees timely payment of interest and ultimate collection of principal of its pass-through securities. Mortgage-backed securities from FNMA and FHLMC are *not* backed by the full faith and credit of the U.S. government.

#### **A.3.j. Corporate Debt Obligations**

Front Barnett may invest in corporate debt obligations. Corporate debt obligations include corporate bonds, debentures, notes, commercial paper and other similar corporate debt instruments. Companies use these instruments to borrow money from investors. The issuer pays the investor a fixed or variable rate of interest and must repay the amount borrowed at maturity. Commercial paper (short-term unsecured promissory notes) is issued by companies to finance their current obligations and normally has a maturity of less than nine months. Front Barnett may also invest in corporate debt securities registered and sold in the United States by foreign issuers (Yankee bonds) and those sold outside the U.S. by foreign or U.S. issuers (Eurobonds).



### **A.3.k. Mortgage-Backed Securities**

Front Barnett may invest in mortgage-backed securities, including pass-through securities and collateralized obligations. Mortgage-backed securities represent interests in a pool of mortgage loans originated by lenders such as commercial banks, savings associations, and mortgage bankers and brokers. Mortgage-backed securities may be issued by governmental or government-related entities, or by non-governmental entities such as special-purpose trusts created by commercial lenders.

Pools of mortgages consist of whole mortgage loans or participations in mortgage loans. The majority of these loans are made to purchasers of between one and four family homes. The terms and characteristics of the mortgage instruments are generally uniform within a pool but may vary among pools. For example, in addition to fixed-rate, fixed-term mortgages, Front Barnett may purchase pools of adjustable-rate mortgages, growing equity mortgages, graduated payment mortgages and other types. Mortgage poolers apply qualification standards to lending institutions, which originate mortgages for the pools as well as credit standards and underwriting criteria for individual mortgages included in the pools. In addition, many mortgages included in pools are insured through private mortgage insurance companies.

Mortgage-backed securities differ from other forms of fixed income securities, which normally provide for periodic payment of interest in fixed amounts with principal payments at maturity or on specified call dates. Most mortgage-backed securities, however, are pass-through securities, which means that investors receive payments consisting of a pro rata share of both principal and interest (less servicing and other fees), as well as unscheduled prepayments as loans in the underlying mortgage pool are paid off by the borrowers. Additional prepayments to holders of these securities are caused by prepayments resulting from the sale or foreclosure of the underlying property or refinancing of the underlying loans. As prepayment rates of individual pools of mortgage loans vary widely, it is not possible to accurately predict the average life of a particular mortgage-backed security. Although mortgage-backed securities are issued with stated maturities of up to 40 years, unscheduled or early payments of principal and interest on the mortgages may shorten considerably the securities' effective maturities.

### **A.3.l. Collateralized Obligations**

Front Barnett may invest in collateralized mortgage obligations ("CMOs") that are collateralized by mortgage-backed securities issued by GNMA, FHLMC or FNMA ("mortgage assets"). CMOs are multiple-class debt obligations. Payments of principal and interest on the mortgage assets are passed through to the holders of the CMOs as they are received, although certain classes (often referred to as "tranches") of CMOs have priority over other classes with respect to the receipt of mortgage prepayments. Each tranche is issued at a specific or floating coupon rate and has a stated maturity or final distribution date. Interest is paid or accrues in all tranches on a monthly, quarterly or semi-annual basis. Payments of principal and interest on mortgage assets are commonly applied to the tranches in the order of their respective maturities or final

distribution dates, so that generally no payment of principal will be made on any tranche until all other tranches with earlier stated maturity or distribution dates have been paid in full.

Front Barnett may also invest in collateralized debt obligations ("CDOs"), which include collateralized bond obligations ("CBOs"), collateralized loan obligations ("CLOs") and other similarly structured securities. CBOs and CLOs are types of asset-backed securities. A CBO is a trust that is backed by a diversified pool of high-risk, below-investment-grade fixed income securities. A CLO is a trust typically collateralized by a pool of loans, which may include, among others, domestic and foreign senior secured loans, senior unsecured loans and subordinate corporate loans, including loans that may be rated below investment grade or equivalent unrated loans.

## **B. Investment Strategy and Method of Analysis of Material Risks**

### **B.1. Short-Term Trading**

Front Barnett does not engage in high-frequency trading. However, it reserves the right to employ such a strategy given current market conditions for the companies in which it invests. In the event of short-term trading, clients are advised that it can create substantial transaction costs as well as taxes that in the aggregate could negatively impact portfolio performance.

## **C. Concentration Risk**

Although Front Barnett employs a broad diversification strategy, there may be times when one industry, sector or company is more heavily weighted than others. In such cases, there is the possibility that negative performance of the heavily weighted security will have a greater impact on the overall performance of the portfolio. Clients who have broadly diversified portfolios, as a general rule, incur less volatility and therefore less fluctuation in portfolio value than those who have concentrated holdings. Concentrated holdings may offer the potential for higher gain, but also offer the potential for significant loss.

## **Item 9: Disciplinary Information**

### **A. Criminal or Civil Actions**

There is nothing to report on this item.

### **B. Administrative Enforcement Proceedings**

There is nothing to report on this item.

### **C. Self-Regulatory Organization Enforcement Proceedings**

There is nothing to report on this item.

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

### **A. Broker-Dealer Affiliation**

Front Barnett neither has an affiliate broker-dealer nor is in process of registering an affiliate as a broker dealer.

### **B. Commodity, FCM, CPO or CTA Affiliation**

Neither Front Barnett nor its affiliates are registered as a commodity firm, futures commission merchant, commodity pool operator, or commodity trading advisor and do not have an application to register pending.

### **C. Relationships Material to Advisory Business**

Other than as described in Item 12 of this Brochure, there are no relationships material to Front Barnett's advisory business to report.

### **D. Recommendation of Other Advisers**

Front Barnett does not receive any remuneration from advisers, investment managers, outside consultants or other service providers, including custodians, that it recommends to clients.

## Item 11. Code of Ethics

### A. Code of Ethics Policy

Members and employees of Front Barnett may purchase or hold securities that are recommended for purchase or sale by clients. Personal security transactions by persons associated with the firm are subject to the firm's Code of Ethics, which includes various reporting, disclosure and approval requirements in order to prevent actual or potential conflicts of interest with transactions recommended to clients. Compliance with the Code of Ethics is a condition of employment. These requirements include the following:

- No employee or member may transact purchases or sales for his or her account, or for immediate family members' accounts, or for any other account in which the employee or employee's immediate family has an economic interest, which might reasonably be expected to materially affect the prices of securities for which transactions have been recommended or might be made for or recommended to clients in the near future.
- No employee or member may participate in initial public offerings.
- All trades must be pre-approved by a senior portfolio manager and must be executed within two trading days of approval.
- Client accounts in which an employee has an interest are to be treated under the same guidelines as all other client accounts.
- Quarterly, the firm requires a summary of trading activity.
- Annually, the firm requires a list of holdings. Transactions and holdings in government securities, bank certificates of deposit, and shares of open-end mutual funds are excluded from the reporting requirements.

Front Barnett will forward clients a copy of its Code of Ethics upon written request.

### B. Material Financial Interests

Front Barnett does not engage in principal trading (i.e., the practice of selling stock to advisory clients from a firm's inventory or buying stocks from advisory clients into a firm's inventory). In addition, Front Barnett does not recommend any securities to advisory clients in which it has some proprietary or ownership interest.

### C. Proprietary Investing

Front Barnett, its affiliates, employees and their families, trusts, estates, charitable organizations and retirement plans established by it may purchase the same securities as are purchased for clients in accordance with the firm's Code of Ethics policy. They may also effect securities transactions for their own accounts that differ from those recommended or effected for other Front Barnett clients. Front Barnett will make a reasonable attempt to trade securities in client accounts prior to trading the securities in

its employee or employee-related accounts. It is the policy of the firm to place the clients' interests above those of Front Barnett and its employees.

## Item 12. Brokerage Practices

### A. Factors Used to Select Broker-Dealers for Client Transactions

Front Barnett may, at the client's request, assist the client in establishing accounts with the Schwab Advisor Services division of Charles Schwab & Co., Inc., ("Schwab"), a FINRA-registered broker-dealer, member SIPC, or with U.S. Trust, Bank of America or another custodian (herein collectively referred to as "custodian") to maintain custody of clients' assets and to effect trades for their accounts. Although Front Barnett may be asked to recommend a custodian, it is the client's decision to custody assets with the custodian. Front Barnett is independently owned and operated and not affiliated with any custodian.

For Front Barnett client accounts maintained in its custody, a custodian may or may not charge separately for custody services, and may be 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 custodian accounts.

In making recommendations with respect to custodial services, Front Barnett will take into account the needs of the individual client, the nature of the services required, the experience of the broker-dealer or custodian, the cost and quality of the services, and the reputation of the broker-dealer or custodian. The final determination to engage a broker-dealer or custodian recommended by Front Barnett shall be made by and in the sole discretion of the client. The client recognizes that broker-dealers and/or custodians have different cost and fee structures and trade execution capabilities. As a result, there may be disparities with respect to the cost of services and/or the transaction prices for securities transactions executed on behalf of the client. Clients are responsible for assessing the commissions and other costs charged by broker-dealers and/or custodians.

#### A.1. Institutional Trading and Custody Services

The custodian provides Front Barnett with access to its institutional trading and/or custody services, which are typically not available to the custodian's retail investors. These services are generally available to independent investment advisors on an unsolicited basis, at no charge to them. These services are not contingent upon Front Barnett committing to the custodian any specific amount of business (assets in custody or trading commissions). The custodian's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or that would require a significantly higher minimum initial investment.

#### A.2. Other Products and Services

The custodian also makes available to Front Barnett other products and services that benefit Front Barnett but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of Front

Barnett's accounts, including accounts not maintained at the custodian. The custodian may also make available to Front Barnett managing and administering 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 Front Barnett's fees from its clients' accounts
- assist with back-office functions, recordkeeping and client reporting

The custodian also offers other services intended to help Front Barnett manage and further develop its business enterprise. These services may include

- compliance, legal and business consulting
- publications and conferences on practice management and business succession
- access to employee benefits providers, human capital consultants and insurance providers

The custodian may also provide other benefits, such as educational events or occasional business entertainment of Front Barnett personnel. In evaluating whether to recommend or require that clients custody their assets at a certain custodian, Front Barnett may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers, and not solely the nature, cost or quality of custody and brokerage services provided by the custodian, which may create a potential conflict of interest.

### **A.3. Independent Third Parties**

The custodian may make available, arrange and/or pay third-party vendors for the types of services rendered to Front Barnett. The custodian may discount or waive fees it would otherwise charge for some of these services or all or a part of the fees of a third party providing these services to Front Barnett.

## **B. Trading Practices**

### **B.1. Best Execution**

Front Barnett may, if the client requests, recommend that clients establish brokerage accounts with the Schwab Advisor Services division of Charles Schwab & Co., Inc., ("Schwab"), a FINRA-registered broker-dealer, member SIPC, or with U.S. Trust, Bank of America or others to maintain custody of clients' assets and to effect trades for their accounts (herein collectively referred to as "custodian"). Such accounts will be prime broker eligible so that if and when the need arises to effect securities transactions at broker-dealers ("executing brokers") other than with the client's current custodian, such



custodian will accept delivery or deliver the applicable security from/to the executing broker. The custodian charges a "trade away" fee, which is charged against the client's account for each trade away occurrence. Other custodians have their own policies concerning prime broker accounts and trade away fees. Clients will consult their current custodian for their policies and fees.

Front Barnett, pursuant to the terms of its investment advisory agreement with clients, has discretionary authority to determine which securities are to be bought and sold, the price of such securities, the executing broker and the commission rates to be paid to effect such transactions. Front Barnett recognizes that the analysis of execution quality involves a number of factors, both qualitative and quantitative. Front Barnett will follow a process in an attempt to ensure that it is seeking to obtain the most favorable execution under the prevailing circumstances when placing client orders. These factors include but are not limited to the following:

- The financial strength, reputation and stability of the broker
- The efficiency with which the transaction is effected
- The ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any)
- The availability of the broker to stand ready to effect transactions of varying degrees of difficulty in the future
- The efficiency of error resolution, clearance and settlement
- Block trading and positioning capabilities
- The ability to borrow securities for short sale
- Performance measurement
- Online access to computerized data regarding customer accounts
- Availability, comprehensiveness, and frequency of brokerage and research services
- Commission rates
- The economic benefit to the client
- Related matters involved in the receipt of brokerage services

## **B.2. Directed Brokerage**

### **B.2.a. Front Barnett Recommendations**

Front Barnett, if requested by a client, may (among others) recommend Schwab, U.S. Trust, Bank of America as custodian for clients' funds and securities and to execute securities transactions on its clients' behalf.

### **B.2.b. Client-Directed Brokerage**

Occasionally, clients may direct Front Barnett to use a particular broker-dealer to execute portfolio transactions for their accounts or request that certain types of securities not be purchased for their accounts. Clients who designate the use of a

particular broker-dealer should be aware that they will lose any possible advantage Front Barnett derives from aggregating transactions. Such client trades are typically effected after the trades of clients who have not directed the use of a particular broker-dealer. Front Barnett loses the ability to aggregate trades with other Front Barnett advisory clients, potentially subjecting the client to inferior trade execution prices as well as higher commissions.

### **B.3. Security Allocation**

Since Front Barnett may be managing accounts with similar investment objectives, the firm may aggregate orders for securities for such accounts. In such event, allocation of the securities so purchased or sold, as well as expenses incurred in the transaction, is made by Front Barnett in the manner it considers to be the most equitable and consistent with its fiduciary obligations to such accounts. Front Barnett's allocation procedures seek to allocate investment opportunities among clients in the fairest possible way, taking into account clients' best interests. Front Barnett will follow procedures to ensure that allocations do not involve a practice of favoring or discriminating against any client or group of clients. Account performance is never a factor in trade allocations.

Front Barnett's advice to certain clients and entities and the action of Front Barnett for those and other clients are frequently premised not only on the merits of a particular investment but also on the suitability of that investment for the particular client in light of his or her applicable investment objective, guidelines and circumstances. Thus, any action of Front Barnett with respect to a particular investment may, for a particular client, differ or be opposed to the recommendation, advice or actions of the firm to or on behalf of other clients.

### **B.4. Order Aggregation**

Orders for the same security entered on behalf of more than one client will generally be aggregated (i.e., blocked or bunched) subject to the aggregation being in the best interests of all participating clients. Subsequent orders for the same security entered during the same trading day may be aggregated with any previously unfilled orders. Subsequent orders may or may not also be aggregated with filled orders. All clients participating in each aggregated order will receive the average price and, subject to minimum ticket charges and possible step outs, pay a pro rata portion of commissions.

To minimize performance dispersion, "strategy" trades should be aggregated and average priced. However, when a trade is to be executed for an individual account and the trade is not in the best interests of other accounts, then the trade will only be performed for that account. This is true even if Front Barnett believes that a larger size block trade would lead to best overall price for the security being transacted.

### **B.5. Allocation of Trades**

All allocations will be made prior to the close of business on the trade date. In the event an order is "partially filled," the order is allocated to client accounts by a computer system that randomly selects such accounts. Front Barnett believes that, over time, this method of allocating trades is fair and reasonable to clients.

Front Barnett acts in accordance with its duty to seek best price and execution and will not continue any arrangements if it determines that such arrangements are no longer in the best interests of its clients.

### **B.6. Soft Dollar Arrangements**

Front Barnett does not utilize soft dollar arrangements for direct brokerage transactions to executing brokers for research and brokerage services. Front Barnett does not have any formal soft dollar arrangements requiring a soft dollar budget.

### **B.7. Brokerage for Client Referrals**

Front Barnett does not engage in the practice of directing brokerage commissions in exchange for the referral of advisory clients.

## Item 13. Review of Accounts

### A. Periodic Review

Client accounts under the supervision of Front Barnett are continually reviewed by the portfolio manager servicing the client relationship. Such professionals are subject to the general authority of Front Barnett's Chief Compliance Officer. The Chief Compliance Officer or his designee(s) must review and approve the opening of each new advisory relationship and oversee reviews of client accounts. The Chief Compliance Officer or his designee(s) is also responsible for ensuring that any significant change in a client's investment strategy or in the concentration of a client's assets is appropriate for and has been reviewed with the client.

### B. Ad Hoc Reviews

Front Barnett may perform *ad hoc* reviews on an as-needed basis if there have been material changes in the client's investment objectives or risk tolerance, a change in the firm's investment policy, or a material change in how Front Barnett formulates investment advice.

### C. Content and Frequency of Performance Reports

Front Barnett continually reviews all managed accounts. The firm provides performance reports quarterly; gains and loss summaries and evaluations are generally provided monthly. Reviews for managed accounts consist of an analysis of the following factors:

- client investment objectives
- industry issues
- credit issues
- information concerning individual holdings in portfolios
- review of performance versus benchmark and performance attribution

The client's independent custodian also provides regular account statements directly to the client no less frequently than quarterly. The custodian's statement is the official record of the client's account and supersedes any statements or reports created on behalf of the client by Front Barnett.

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

Front Barnett does not enter into agreements with solicitors who will refer prospective advisory clients to investment advisors in return for a portion of the ongoing investment advisory fee.

## **Item 15. Custody**

Clients will receive at least quarterly account statements directly from their qualified custodian containing a description of all activity, cash balances and portfolio holdings in the their accounts. Front Barnett urges that clients compare the account balance(s) shown on their Front Barnett gain/loss reports to the quarter-end balance(s) on their custodian's monthly statement. The custodian's statement is the official record of the account.

## **Item 16. Investment Discretion**

Clients are required to grant a limited power of attorney to Front Barnett with respect to trading activity in their accounts by signing the appropriate custodian limited power of attorney form. In those cases, Front Barnett will exercise full discretion as to the nature and type of securities to be purchased and sold, the amount of securities for such transactions, the commissions to be paid, and the executing broker to be used. Investment limitations may be designated by the client as outlined in the investment advisory agreement.

## **Item 17. Voting Client Securities**

Front Barnett does not vote client securities. The custodian, transfer agent or broker for the client's account is responsible for providing proxies to the client. Front Barnett will not take discretion with respect to security-specific proxy solicitations.



## **Item 18. Financial Disclosures**

Front Barnett does not require the prepayment of fees of \$1,200 or more, six months or more in advance.

Front Barnett does not have any financial issues that would impair its ability to provide services to clients.