

# Carol H. Baldi, Inc.

*Investment Advisors*

420 Lexington Avenue  
Suite 2745  
New York, NY 10170  
(212) 697-6266

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*This brochure provides prospective clients with information about Carol H. Baldi, Inc. that should be considered before obtaining advisory services from Carol H. Baldi, Inc. 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.*

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## ***Advisory Practices Disclosure Statement***

### Material Changes

As of December, 2011 there are no material changes to this document.

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## 1. Advisory Business

Carol H. Baldi, Inc. (CRD #106263) is registered as an Investment Advisor in the States of Delaware and Connecticut. Carol H. Baldi, Inc. was organized as a Corporation under the laws of the State of Delaware and has been in business since 1980.

Carol H. Baldi, Inc.'s principal office and place of business is located at 420 Lexington Avenue, Suite 2745, New York, New York 10170. The firm can be contacted by telephone at 212-697-6266, by fax at 212-697-6149 or by email at [chbaldi@aol.com](mailto:chbaldi@aol.com).

Carol H. Baldi founded Carol H. Baldi, Inc. in 1980 and continues to be the firm's sole owner.

The firm advises both individuals and institutions. As of December 31, 2011, Assets Under Management were \$41,670,000. Of this amount, \$33,470,000. was Discretionary and \$8,200,000. was Non-Discretionary.

Carol H. Baldi, Inc. recommends stocks (both domestic and foreign), bonds and Treasury Instruments.

## 2. Fees and Compensation

Carol H. Baldi, Inc. is compensated based on the value of assets managed. Fees are negotiable in some situations. No increase in fees shall be effective without prior written notification to the client.

Our Fee Schedule is as follows:

1.00%	on the first	\$ 300,000. of mkt. value
.60%	on the next	700,000. of mkt. value
.50%	on the amount in excess of	1,000,000. of mkt. value

Fees are generally calculated and charged quarterly after the last business day of the quarter, and are prorated for partial quarters.

In addition to the fees listed above, clients may also incur brokerage fees and custodial fees and such fees are paid to parties other than Carol H. Baldi, Inc.

### **3. Performance-based fees and side-by-side management**

Fees are based on current market valuations and are not performance based.

### **4. Types of Clients**

High Net Worth Individuals  
Individuals  
Institutions

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

Carol H. Baldi, Inc uses fundamental security data, information from investment research firms, information from financial newspapers and magazines, and other forms of analysis as the basis for forming its investment strategies.

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

Carol H. Baldi, Inc. invests in high-quality securities for long-term investments. Needs of the clients come first; i.e. need for income, need for long-term growth, need for balanced portfolios for least exposure to market fluctuations.

Carol H. Baldi, Inc. clients performances are compared to the S&P 500, and a “custom 60-40” benchmark which is comprised of 60% S&P 500, 20% Lehman Intermediate Government / Corporate Index and 20% Merrill 1-3 Year Treasury Index.

### **6. Disciplinary Information**

Registered Investment Advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to the integrity of Carol H. Baldi, Inc.

Neither Carol H. Baldi, Inc. nor Carol H. Baldi has ever been subject to any legal or disciplinary action.

### **7. Other Financial Industry Activities and Affiliations**

None

## **8. Code of Ethics, Participation or Interest in Client Transactions**

### **Protection of Material Non-public Information**

Carol H. Baldi, Inc. holds all information obtained from clients in confidence, using such information only for purposes of providing investment advice to its clients in a manner consistent with their objectives.

Carol H. Baldi, Inc. will disclose information only when it believes it necessary for carrying out these objectives or as required by law and otherwise will not disclose information without a client's consent.

In connection with implementing our services we often utilize the facilities of an independent broker. This broker is also committed to maintaining effective privacy standards.

Upon request we will make available for review by a client any file we may maintain on behalf of the client.

The above policy applies to all clients, including former clients.

### **Personal Securities Trading**

All employees' personal transactions will be reviewed by another employee. However, Mr. and Mrs. Baldi will not review each other's transactions. All employees must obtain pre-clearance authorization before they can place a trade order for their personal account. Clients' trades will be placed first. Employees' personal accounts will be maintained in the office and can be subject to review at any time; however they must be reviewed at least quarterly.

### **Pre-clearance of Personal Trades**

All employees of Carol H. Baldi, Inc. must obtain pre-clearance before placing a personal trade order. Mr. & Mrs. Baldi will not pre-clear each other's trades. Employees wishing to place a personal trade order will first make certain that all clients' trade orders for the same security have been placed. They then will have another employee approve their transaction. The "approving" employee will initial a pre-clearance column in the transaction blotter, and the employee will then be able to place their trade order.

Any new employee must disclose their security holdings before commencing employment with Carol H. Baldi, Inc.

## **Books and Records**

Carol H. Baldi's computer programmer will maintain an e-mail retention and archival system allowing for the storage and retrieval of 5 years of e-mail traffic. The portfolio system files are backed up weekly to the duplicate off-site computer system in Cape Coral, Florida. These files are installed on the main disk drive of the duplicate system and are rotationally archived on 4 zip disks.

## **Code of Conduct**

Carol H. Baldi, Inc.'s Code of Conduct requires that clients' trade orders be placed prior to any employees' personal transactions.

Carol H. Baldi, Inc. will abide by any applicable Federal securities laws.

Violations to the Code of Ethics or Code of Conduct will be reported to the Chief Compliance Officer and appropriate action will be taken.

This Code of Ethics/Code of Conduct will be reviewed annually by all employees.

## **Access Persons**

Carol H. Baldi, Inc.'s computer programmer has access to clients' accounts via dial-up service, and therefore is considered an access person. As such, he provides Carol H. Baldi, Inc. with a copy of his personal portfolio as well as any transactions in such account.

## **9. Brokerage Practices**

Carol H. Baldi, Inc. is a small firm, and also a long term investor, so the amount of business that we can give to a broker is limited. We have found Credit Suisse helpful in both trades and research, and therefore have concentrated our executions with them.

Credit Suisse's usual fee is \$.20 per share. When we execute a large number of shares the fee could be lowered to \$.15 per share or as low as \$.12 per share.

## **10. Review of Accounts**

A list of securities held by all clients is available and these securities are particularly addressed when news appears on them – whether positive or negative. Analyses are run on a monthly basis but can be generated at any time.

## **11. Client Referrals and Other Compensation**

Carol H. Baldi Personally receives compensation from the Charlotte A. Koch Foundation and the Barbara C. Heath Trust. She serves as trustee under both these accounts. Both accounts follow the same investment guidelines as regular clients of Carol H. Baldi, Inc.

## **12. Custody**

Carol H. Baldi, Inc. does not maintain custody of any accounts.

## **13. Investment Discretion**

Carol H. Baldi, Inc. manages accounts on both a discretionary and non-discretionary basis. As a courtesy, Carol H. Baldi, Inc. attempts to reach all clients before executing a trade, but if that is not possible, Carol H. Baldi, Inc. will act in the best interest of the client.

## **14. Voting Client Securities**

### *Policies and Procedures of Carol H. Baldi, Inc. Regarding Voting of Client's Proxies*

Carol H. Baldi, Inc. monitors events affecting companies in which client funds are invested and where the firm receives and has authority to cast proxy votes on behalf of clients it is committed to voting in a manner consistent with the best interests of the client. Toward that end the firm has the following policies:

### **General Policies on Voting Proxies**

Since the firm makes and retains investments on behalf of clients in companies which it considers to be soundly managed, as a general rule the firm in voting proxies will support the positions recommended by management, but the firm will vote against such a recommendation if in its judgment a contrary vote will better serve the interests of the client. If, due to lack of any contest or significant controversy with respect to a recommendation of management which the firm considers consistent with the client's interests, it does not appear necessary to vote a proxy in furtherance of the approval of such recommendation, the firm will not vote the proxy in order to afford more time for its staff to concentrate on other responsibilities to its clients. The firm will follow any instructions given by the client for voting a proxy on the client's behalf but ordinarily will not request instructions from the client.



### **Conflicts of Interest**

The firm does not perform services to companies whose management is soliciting proxies, and therefore, is not likely to have a material conflict of interest in voting proxies. However, in instances where there is a material conflict of interest due to other circumstances, the firm will make a reasonable effort to advise the client so that the client will have an opportunity to give instructions to the firm for voting the proxy on the client's behalf.

### **Obtaining Voting Information**

Upon request of the client the firm will inform the client if and how the firm voted a proxy on the client's behalf. In the interest of maintaining confidences with respect to client holdings the firm will not disclose proxy voting information publicly or to any one other than the client on whose behalf the proxy was voted.

## **15. Financial Information**

Registered Investment Advisors are required in some cases to provide certain financial information and or disclosures about financial condition. For example, if the firm requires prepayment of fees for six months in advance, has custody of client funds, or has a condition that is reasonably likely to impair its ability to meet its contractual commitments to its clients, it must provide financial information and make disclosures.

Carol H. Baldi, Inc. has no financial or operating conditions which trigger such additional reporting requirements.

