

**Part 2A Advisor Brochure**

**Item 1 – Cover Page**

Name of Investment Advisor:

Groesbeck Investment Management Corporation

Address:

12 Route 17 North

Suite 130

Paramus, NJ 07652

Telephone Number:

201 291-7888

Website address:

[www.groesbeckim.com](http://www.groesbeckim.com)

E-mail address:

[info@groesbeckim.com](mailto:info@groesbeckim.com)

Date:

December 31, 2011

**This brochure provides information about the qualifications and business practices of Groesbeck Investment Management Corp. If you have any questions about the contents of this brochure, please contact us at 201-291-7888 or at [info@groesbeckim.com](mailto:info@groesbeckim.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 Groesbeck Investment Management Corp. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Item 2 – Material Changes:**

There have been no material changes to our business as of December 31, 2011 or from our previous annual filings.

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### Item 4 – Advisory Business

Groesbeck Investment Management Corporation is an employee-owned investment adviser, providing equity portfolio management services to endowments, foundations, pension plans, trusts, IRA's and high net worth individuals. Since our founding in 1993, we've provided above-market investment performance through a disciplined, risk-sensitive process. Total discretionary assets under management at December 31, 2011, were \$261,939,092.

Groesbeck Investment Management offers two distinct equity portfolio management investment strategies depending on the client's requirements and objectives. Our Growth of Income style seeks to provide a growing stream of current income and a total return in excess of the S&P 500. Our Growth style seeks to generate higher than market returns, primarily through capital appreciation. The investment processes of these two portfolio management strategies are discussed further in Item 8.

We conduct our business through several methods. Clients may sign on individually with our firm by signing a client agreement and either chooses a broker-dealer, custodian and broker or delegate that responsibility to us. For more information regarding brokerage practices, please see Item 12. In some cases where we have discretionary authority, some

clients impose restrictions, such as: (1) the mix of the portfolio between stocks, bonds and/or cash equivalent; (2) the percentage invested in a particular issue or industry; (3) the quality of the securities held; (4) prohibit the purchase or sale of particular stocks or securities, among others.

Another method of investment is through sponsored “wrap” programs or “overlay” programs that refer business to us. In the wrap business, the customer generally pays a bundled single fee (said to be wrapped) to the sponsoring organization which is usually a bank or broker-dealer. Please see ADV Part 1 Item 5 Section 5.I.(2) for a list of wrap and referral sponsor organizations. Overlay programs act in a similar fashion; however, there may be other ancillary fees that are not bundled and different account minimums.

Groesbeck Investment Management does not exercise direct trading authority over funds in this arrangement. The growth of income style and growth style are offered in wrap platforms while the growth of income is also available in overlay programs. Please note that the wrap and overlay business are not directly offered by Groesbeck Investment Management Corp. In these lines of business, we provide portfolio management services only and do not negotiate fees, or provide custody or trading services.

The last method of investment is through a mutual fund that we sub-advise. We act as the portfolio manager for the Catalyst/Groesbeck Growth of Income fund. There are three share classes for this fund; an A share (ticker: CGGAX), a C share (ticker: CGGCX), and I share (ticker: CGGIX). For more information regarding these funds or to get a prospectus, please call 1-866-447-4228 or e-mail [Info@CatalystMutualFunds.com](mailto:Info@CatalystMutualFunds.com). Information is also available on the Internet at [www.catalystmutualfunds.com](http://www.catalystmutualfunds.com). Investors should read the prospectus carefully before investing.

#### Key Personnel:

##### *Robert P. Groesbeck, CFA - President*

Mr. Groesbeck, age 71, is the founder of the firm and serves as Senior Portfolio Manager. He was formerly a Vice President of Argus Investors’ Counsel, where he was responsible for managing assets of \$525 million. The largest single account was \$200 million. His 50 years of investment experience span economic and investment research, security analysis with concentrations in twelve different industries, and portfolio management for both taxable and tax-exempt assets. Mr. Groesbeck earned a BS degree in Economics from St. Peter’s College and an MBA in Finance from New York University. He holds the Chartered Financial Analyst designation and is a member of the New York Society of Security Analysts. Mr. Groesbeck is the principal owner of the firm.

##### *Robert P. Dainesi - Executive Vice President*

Mr. Dainesi, age 51, is the Director of Research and a portfolio manager. He joined the firm in November 1993 and has 27 years of experience as an investment professional. His security analysis experience includes following several economic sectors and many industry groups. He has been a portfolio manager since 1991. He was a security analyst at Value Line and a portfolio manager with Sturdivant & Co. Prior to joining the firm, Mr. Dainesi was a portfolio manager and security analyst with Asiel & Co. Mr. Dainesi earned a BA degree in Economics from Queens College and an MBA in Finance from

Bernard M. Baruch College. He is a member of the New York Society of Security Analysts and the CFA Institute. Mr. Dainesi has partial ownership in the firm.

Theodore M. Groesbeck, CFA – *Vice President*

Mr. Groesbeck, age 42, is a portfolio manager and security analyst. He joined the firm in 1999 and has 20 years of investment experience. Prior to joining the firm, he was an analyst at Palisade Capital Management, Standard & Poor's and Gruntal & Co. Mr. Groesbeck's security analysis experience covers a broad number of economic sectors and industries. Mr. Groesbeck earned a BS degree in Finance from the University of Rhode Island. He holds the Chartered Financial Analyst designation and is a member of the New York Society of Security Analysts. Mr. Groesbeck has partial ownership in the firm.

John D. Mattesich, CFA – *Equity Analyst*

Mr. Mattesich, age 46, is a security analyst with 18 years of experience. Prior to joining the firm in 2006, he was an analyst at Hayground Cove Asset Management, Bear Stearns & Co., Dresdner Kleinwort Wasserstein, and Credit Lyonnais Securities. Mr. Mattesich earned his MBA degree in Finance from Indiana University and a B.B.A. degree from Pace University in accounting. He holds the Chartered Financial Analyst designation and is a member of the New York Society of Security Analysts.

#### Item 5 – Fees and Compensation

For individually managed accounts, fees are calculated based on the agreed upon percentage of the total market value of assets managed at the end of the prior quarter. The client is billed mid-quarter. Fees are payable quarterly at any point of the quarter that the client chooses. The fee schedule is listed at the end of this Item 5.

The manager does not provide custody of client assets; therefore no custodian or brokerage fees are included in the firm's management fee. Clients may choose to be billed directly and pay the invoice directly or have billing sent to their custodians and payment made by their custodians. Some client agreements do require billing to the custodian and payments from the custodian.

If a client pays before the end of the current quarter, and then ceases to be a client, the firm calculates the amount of fee earned by the firm and rebates the amount unearned to the client via a check to the client's custodian with instructions for deposit to the client's account.

The investment advisory fees we charge are negotiable. Clients and prospects should be aware that other fees outside of the control of Groesbeck Investment Management shall be the responsibility of the client. These fees may include but are not limited to: custodian fees, bank or brokerage charges, trading commissions, taxes, etc. For more information regarding brokerage practices, please see Item 12.

In wrap and overlay programs all fees (asset management, commissions, custodial, etc.) are usually bundled into one fee that is charged to the client by the sponsoring

organization. These fees are negotiated between the client and the sponsoring organization. Groesbeck Investment Management does not arrange this fee and only receives a portion of the fee charged by the sponsoring organization for its portfolio management services.

Standard fee schedule:

1% per annum	First \$10 Million
0.75 % per annum	Next \$20 Million
0.625% per annum	Next \$20 Million
0.50% per annum	Above \$50 Million

Item 6 – Performance-Based Fees and Side-By-Side Management

We do not engage in or use any of these types of arrangements.

Item 7 – Types of Clients

We have various types of clients. We manage money for high net wealth individuals, trusts, pensions/profit sharing plans, IRAs, and foundations. Our account minimum for individually managed accounts is \$500,000 with a \$5,000 minimum annual fee. In the wrap and overlay business, account minimums vary by sponsor, but are generally \$100,000 and may be higher or lower. In the mutual fund business, the initial account minimum is \$2,500 with \$50 minimum subsequent investments.

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

As discussed in Item 4, we offer two types of investment strategies: Growth of Income and Growth. The largest in terms of assets under management at the firm is the growth of income strategy. The approach was developed by Robert Groesbeck in 1972. Our philosophy toward growth of income investing is to seek superior portfolio returns through investment in securities of companies that our analysis indicates have the ability to increase earnings and dividends at a faster rate than their industry group and/or the stock market. The key to our growth of income strategy is to own companies that increase their dividends each year. Dividends help to provide overall total return for a portfolio. Although capital appreciation is an objective of our strategy, we can count on a significant portion of our return from dividends, thus increasing the reliability of our approach. Historically, dividends and their re-investment, comprise over 40% of the total return of the S&P 500.

A dividend growth strategy is successful due to many factors. When a company raises its dividend, it sends a positive signal to investors that its prospects for earnings growth in the future are strong. A dividend policy leads to a strong financial discipline for corporations as dividends are paid in cash and thus they cannot be faked. Dividends are an ideal method of rewarding shareholders and tend to prevent corporations from wasting money on poor acquisitions and deviating from their business plan. Companies with

strong dividend increase histories are generally financially superior businesses and tend to make good long-term investments.

Portfolio income growth is accomplished in two ways. First, we select companies that should experience relatively rapid dividend growth rates and target companies that we believe will increase dividends every year. Second, we augment this growing stream of income by periodically switching from lower yielding equities within a portfolio to higher yielding issues in order to raise the portfolio income level. In this manner, we can increase the income while also moving from relatively overvalued (low yield) to relatively undervalued (high yield) issues. The inclusion of high-yielding growth equity issues allows us to invest in growth-oriented stocks at lower dividend yields and still obtain an overall portfolio income yield that is well above that of the general stock market. The yield on our portfolio has consistently been higher than that of the S&P 500 by about 100 basis points. In addition, this process leads to dividend income growth that is faster than that of corporate dividend growth in general and is significantly faster than the consumer price inflation rate.

Our approach toward growth investing is to select the stocks of companies which we believe have above-average earnings growth prospects. We purchase the stocks of companies whose future earnings growth is estimated to be at least 10% annually. Companies selected must meet our standards for financial strength, profitability and sustainability of future growth. We pay particular attention to revenue growth, because we believe the only sustainable growth comes from increased revenues, rather than simply through profit margin improvement. As part of the valuation process, stock purchases are made at price/earnings ratios that bear a reasonable relationship to the anticipated future rate of earnings growth. The ratio of stock price to trailing twelve month revenues per share is also part of our analysis.

Once a growth portfolio is constructed, we continuously monitor the earnings progress of each company in the portfolio. Companies that fail to meet our earnings growth expectations will normally be sold and replaced with stocks that meet our investment criteria. We believe that successful growth investing requires a portfolio earnings stream that is growing at above-market rates. By constantly pruning those issues that fail to meet our expectations, the portfolio will remain vibrant and should show superior investment performance over the long term.

Our equity research process is entirely bottom-up. We use many sources to generate investment ideas. Some of these include: Standard & Poor's, Value Line, S&P: The Outlook, Sell-Side research, The Wall Street Journal, Investors Business Daily, Zacks Investment Research and Mergent Handbook of Dividend Achievers. We screen various databases to find high quality stocks and dividend paying stocks that meet our investment requirements. The investment requisites for companies include: market capitalization (\$2 billion or greater), acceptable dividend yield, strong sales, earnings and dividend growth, favorable earnings prospects, strong financial condition, and high return on equity. We look at a stock's absolute P/E ratio and also its P/E ratio relative to its earnings growth rate, the industry average and the market's P/E. Our criteria exclude companies with poor

earning histories, and /or weak balance sheets, allowing our analysts to focus on a smaller universe of very high quality companies.

In managing risk for clients, there is individual company business risk and valuation or market risk. All are looked at closely. In order to minimize stock risk in both our strategies, we hold anywhere from 25 to 35 stocks and invest across several sectors and industries to ensure adequate diversification. We also reduce individual holdings if they exceed 7% of the portfolio to bring them down to a more normal weight. We look to invest for long periods of time and do not engage in exotic or heavy trading activities. Our overall portfolio turnover is fairly modest at about 25% per year, which reduces client transaction costs and keeps taxes down. Portfolio turnover is a function of account rebalancing, acquisitions and replacing less desirable investments with better alternatives. Rebalancing of a portfolio occurs when position sizes have moved away from their target weights or when cash rises above a certain threshold. In managing valuation risk, we look at valuations relative to the S&P, relative to the company's history, relative to peer group, and relative to alternative holdings. We look at a stock's absolute P/E ratio and also its P/E ratio relative to its earnings growth rate, the industry average and the market's P/E. A low P/E ratio, low PEG ratio and a high ROE are desirable. We exercise a stringent sell discipline to also reduce client risk. Stocks are sold when a company exhibits weakening sales or weakening earnings trends, declining margins, fails to increase its dividend, experiences declining industry fundamentals or reaches overvaluation.

Clients and prospects should note that there is investment risk associated with equity investing and that asset prices fluctuate. Investor principal is not guaranteed, and investors may not receive the full amount of their investment at the time of redemption if asset values have fallen. Dividends can be increased, decreased or totally eliminated at any point without notice.

#### Item 9 – Disciplinary Information

Neither the firm nor any of its employees have faced any disciplinary action from any regulator, state governing body, or self-regulatory organization. We have not been party to any criminal or civil proceedings.

#### Item 10 – Other Financial Industry Activities and Affiliations

We only operate as an investment counsel and do not engage in any other financial industry activities, such as brokerage, insurance operations, banking, etc. None of the firm's personnel have any specific registrations with the SEC (Series 7, 63, 65, et al) nor are any such registrations required for our principal activities. Three members of our investment team do hold the Chartered Financial Analyst (CFA) designation and three hold Masters of Business Administration (MBA) degrees.

#### Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

The firm has a detailed code of ethics and policies and procedures that govern the organization. The spirit and intent of our code is to put clients' interest first. We do not purchase or sell securities for our own account. We do not have any financial participation or interest in client transactions. Personal trading is monitored in the organization. No security will be purchased by any related person or employee of the firm until all clients for whom such security is deemed suitable have had the opportunity to purchase such security. If a determination has been made to sell a security from client portfolios, any related person or employee is not permitted to sell such security until all clients have had the opportunity to sell that security. Employees must submit to the compliance officer, on a quarterly basis, affidavits describing their personal securities accounts and details of all securities transactions made during the quarter. For more information or for the complete code of ethics, please write to:

Groesbeck Investment Management Corp.

12 Route 17 North

Suite 130

Paramus, NJ 07652

#### Item 12 – Brokerage Practices

For individually managed accounts, clients choose the bank or broker to handle trading and custody. We do not specifically choose brokers, as the broker selection is done by the client and they are knowledgeable of commission charges. In some cases, Groesbeck Investment Management has the client authority to determine the broker to be used and the commission rates to be paid. Factors that we consider when choosing a bank or broker in negotiating commissions are the competitive rates available for accounts and activity of comparable size, ability to execute trades in a competent manner and/or the research services available. Such research services will only be utilized if commission rates are comparable to those of other brokers providing similar administrative and execution services. Please note that clients who direct the broker-dealer decision may pay higher commission charges than available elsewhere and may restrain our ability to negotiate commissions on their transactions. Such designation may also affect our ability to obtain best price and execution.

We do business with several banks and broker-dealers with varying rates that run anywhere from a flat rate per trade to \$0.10 a share and discounts off standard commission rates. Minimum commission charges may apply. Brokers are compensated in two ways: 1) for brokers that refer business through wrap or overlay programs, they receive a portion of the asset management fee charged by the sponsoring organization or 2) brokers that refer business and do not participate in the asset management fee usually receive trading commissions in line with industry practice. We have never had a problem with regard to execution of trades, customer account handling or regulatory issues with our broker dealers. We do not have any soft dollar trading arrangements.

#### Item 13 – Review of Accounts



Portfolios are reviewed frequently by their respective portfolio managers. These reviews may be daily, weekly or at a minimum monthly. In addition to these ongoing reviews, any new developments in the general economy, an industry or specific company events will trigger reviews. Many accounts are reconciled daily and other accounts are reconciled at a minimum monthly to the sponsor or custodian statement. At calendar quarter end, many clients will receive an appraisal that displays account information, including holdings and their amount, cost basis, market values, income, yield and security transactions. Appraisal reports may be done more frequently or on any date outside of general calendar quarter-end at the request of the client. We are available to meet at any time with a client and personal meetings may be arranged. In many cases, we have annual face to face meetings with clients to discuss account performance and financial plans.

#### Item 14 – Client Referrals and Other Compensation

We do not have any separate client referral fee arrangements, sales promotions or awards. The firm does have an outside sales consultant who provides marketing services to the organization. The consultant receives a retainer and a declining percentage of the investment advisory fee that we receive on business that he is responsible for. As discussed in Item 12, brokers that refer clients to our organization receive compensation either in the form of trading commissions or, for those that participate in wrap or overlay programs, a portion of the overall asset management fee charged.

#### Item 15 – Custody

We do not take custody of client funds or securities. We only use trading authority in the execution of our business. For individually managed accounts, clients select their own broker/custodian. In the wrap business, the sponsoring organization may be the custodian or select the custody organization. Clients will continue to receive monthly or quarterly statements from their custodian and some clients will receive a quarterly client appraisal from Groesbeck Investment Management Corp. Clients are reminded to review their statements carefully.

#### Item 16 – Investment Discretion

We exercise investment discretion in the management of client portfolios. As such, client agreements give the firm limited power of attorney for directing client trades in their bank, brokerage or custodian account. Separate power of attorney agreements may be drawn up if the client so desires. In some cases where we have discretionary authority, some clients impose limitations, such as: (1) the mix of the portfolio between stocks, bonds and/or cash equivalent; (2) the percentage invested in a particular issue or industry; (3) the quality of the securities held; (4) the turnover of the portfolio, among others.

Clients that utilize overlay programs should be aware that Groesbeck Investment Management does not have discretionary trading authority over their accounts. Trading is directed and handled by the overlay sponsoring organization.

#### Item 17 – Voting Client Securities

Groesbeck Investment Management believes that it is the owner's right to vote proxies as they see fit and we generally do not vote proxies for our clients. Accordingly, we encourage our clients to vote their own proxies. Should a client wish us to handle that responsibility, we would require explicit written direction to do so. At Groesbeck, it is our policy to vote proxies in the best interests of the client. We shall exercise this authority at our own discretion and in keeping with the firm's Proxy Voting Guidelines. The firm may or may not vote on every issue and may in certain instances refrain from voting.

Should we be obligated to vote proxies, the client is entitled to the following upon written request:

- 1) A copy of our proxy voting policy and proxy voting procedures.
- 2) A summary report of how we voted their proxies.
- 3) Written documentation as to why we may or may not have voted on a particular issue in the proxy.

For more information regarding our Proxy Voting Policy, if you wish to receive a copy of our Proxy Voting Policy, or for clients that wish to obtain information disclosing how we voted their proxies, please write to us at:

Groesbeck Investment Management Corp.

12 Route 17 North

Suite 130

Paramus, NJ 07652

Note: When writing to receive specific details regarding a corporate vote on which you are seeking information, please include the name of corporation, date of meeting and item voted upon.

#### Item 18 – Financial Information

Since the firm does not require more than six months of fees in advance we are not required to disclose financial information regarding the firm under this Item.

#### Item 19 – Requirements for State-Registered Advisers

The SEC is our primary regulator. We maintain notice filings with the states of New Jersey, New York, and Connecticut. We have no other state registrations or specific state regulators that we are required to register with. As we have addressed all the information required under this item throughout this narrative, no additional information is required.

#### Item 20 – ERISA Disclosure

We do have ERISA accounts that we manage in a fiduciary capacity. We do not charge any additional fees other than those discussed in Item 5 and Item 6 of this document. ERISA customers and prospects should be aware that fees charged by third parties such

as those of administrators, brokers or custodians are outside the control of Groesbeck Investment Management and shall be the responsibility of the client or the plan administrator.

## **Part 2B Brochure Supplement**

### **Item 1 – Cover Page**

Name of Investment Advisor:  
Groesbeck Investment Management Corporation

Address:  
12 Route 17 North  
Suite 130  
Paramus, NJ 07652

Telephone Number:  
201 291-7888

Website address:  
[www.groesbeckim.com](http://www.groesbeckim.com)

E-mail address:  
[info@groesbeckim.com](mailto:info@groesbeckim.com)

Date:  
December 31, 2011

**This brochure supplement provides information about the portfolio management group that supplements the Groesbeck Investment Management Corporation's brochure. You should have received a copy of that brochure. Please contact us at 201-291-7888 or at [info@groesbeckim.com](mailto:info@groesbeckim.com), if you did not receive Groesbeck Investment Management Corporation's brochure or if you have any questions about the contents of this supplement.**

### **Item 2 – Portfolio Management Personnel**

The names, age, education and relevant work experience of the portfolio management personnel of Groesbeck Investment Management can be found in Part 2A – Item 4 under the section titled: Key Personnel.

### **Item 3 – Disciplinary Information**

As noted in Part 2A Item 9, none of our personnel have been the subject of any criminal or civil court proceeding, nor administrative proceedings before the SEC or any domestic or foreign governmental agency or state agency. None of our personnel are subject to any administrative proceedings before any self regulatory organization nor any ethical or other administrative proceedings before any professional groups or licensors.

Item 4 – Other Business Activities

None of the firm's personnel are involved in other business activities outside of our investment counsel services. Please see ADV Part 2A Item 10 for more information.

Item 5- Additional Compensation

There are no unusual or additional compensation arrangements outside of basic salary, portfolio management fees and bonuses for our staff. Please see ADV Part 2A Item 5, Item 6 and Item 14, for more information.

Item 6 – Supervision

Portfolio managers operate independently for the private accounts they manage. For the wrap business and for the sub-advised mutual fund, the key personnel operate as an investment committee in deciding the stocks to be bought or sold and appropriate target weights. The staff is required to adhere to our Code of Ethics, policies and procedures and personal trading policies. Please see ADV Part 2A Item 11 for more information.

Item 7 – Requirements for State-Registered Advisers

As we have addressed all the information required under this item throughout this narrative, no additional disclosures are required.