

**Janiczek & Company, Ltd.**  
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**Janiczek & Company, Ltd.**  
**Brochure**  
**Dated 9/22/2011**

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**This brochure provides information about the qualifications and business practices of Janiczek & Company, Ltd. If you have any questions about the contents of this brochure, please contact us at (303) 721-7000. 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 Janiczek & Company, Ltd. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**References herein to Janiczek & Company, Ltd. as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.**

## **Item 2           Material Changes**

There have been no material changes made to Janiczek & Company, Ltd.'s disclosure statement since last year's Annual Amendment filing on 03/30/2010.

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#### **Item 4            Advisory Business**

- A. Janiczek & Company, Ltd. (JJJ Advisors, Inc. DBA Janiczek & Company, Ltd.) (The “Registrant”) is a corporation formed on September 4, 1990 in the State of Colorado. The Registrant became registered as an Investment Adviser Firm in December 1990. The Registrant is owned by Joseph J. Janiczek, the Registrant’s CEO.
- B. As discussed below, the Registrant offers to its clients (individuals, pension and profit sharing plans, business entities, trusts, estates and charitable organizations, etc.) investment advisory services. The Registrant **does not** hold itself out as providing financial planning and related consulting services on a stand-alone basis.

#### **INVESTMENT ADVISORY SERVICES**

The Registrant’s investment, retirement and wealth management services are organized into a collective whole called the Wealth with Ease® System, offered in three service packages designed to meet the most common sets of Registrant’s clients’ needs.

##### ***The Complete Investment Solution***

The Complete Investment Solution (“CIS”) is a service package for clients who only want professional investment portfolio management services. This turnkey investment solution customizes a portfolio to a client’s general circumstances, time horizon, risk temperament, objectives, and approved equity/fixed income mix range. The customized portfolio is managed on an ongoing basis, adjusting holdings and allocations from time to time based upon assessments of economic dangers, strengths, and opportunities and an investment vehicle or managers ability to perform in such conditions. Economic, fundamental, and technical research data is considered in a fusion-type investment management approach. Mutual funds and exchange traded funds (“ETFs”) (both indexed and managed), and separate account managers are the primary vehicles selected by Registrant to achieve equity and fixed income allocations. These may be augmented by individual equity or fixed income holdings or alternative asset class and hedge fund managers (depending upon if the client meets net worth qualification standards for such vehicles). Clients on this service package receive: 1) monthly account statements from the custodian utilized (Schwab Institutional (“*Schwab*”) at present), 2) Optimal Portfolio Reports (quarterly), 3) Market Commentary Reports (quarterly), 4) Email Alerts (varies), and 5) discretionary portfolio management from Registrant on an ongoing basis. After a one- or two-session start-up process, client briefing sessions are generally offered and recommended semi-annually. No financial, retirement or estate planning analysis or services are offered in this service package.

##### ***The Complete Wealth Solution***

The Complete Wealth Solution (“CWS”) is a flagship service package offered by the Registrant. This service package includes Registrant’s CIS package; all the investment portfolio management services described in the section above are included in this service package. In addition, clients periodically (typically at the start of Registrant’s engagement and every two years thereafter, or earlier if a major life or economic event transpires) participate in a process and receive a Wealth Optimization Plan™. This plan consolidates the results of Registrant’s proprietary financial, retirement, investment and estate analysis into an action plan aimed at improving the balance sheet, cash flow, elastic limit, asset optimization, estate plan, long-term financial independence (retirement plan),

and/or the client's professional support team. Clients on this service package receive: 1) monthly account statements from the custodian utilized (*Schwab* at present), 2) Optimal Portfolio Reports (quarterly), 3) Market Commentary Reports (quarterly), 4) Email Alerts (varies), and 5) discretionary portfolio management on an ongoing basis. After a two session start-up process, meetings are generally offered and suggested semi-annually to either conduct a client briefing session or review and update the client's Wealth Optimization Plan™.

### ***The Complete Legacy Solution***

The Complete Legacy Solution ("CLS") recognizes that many clients have needs that span generations and often expand into charitable activities. The Registrant created the CLS service package to meet the long-term needs of high net worth clients and their extended families and charitable organization(s). The CLS includes all the services identified in the CIS and CWS for the family patriarch/matriarch (see above descriptions) plus: 1) Annual Family Meetings, 2) Annual Life/Career Coaching Sessions for adult family members, and 3) CIS and CWS (as circumstances and needs dictate) for all adult family members electing to participate in this program. The primary aim of this service package is to assist generations of a family to master money in a manner that augments a quality multi-generational (and, often times, charity-oriented) estate plan. This can be augmented, if desired, by coaching and development techniques designed to help adult family members achieve their highest potential in areas where they have endless energy, interest, and ability (for additional fees and by outside experts under a separate agreement). This can also be augmented, if desired, by coaching and services aimed at maximizing charitable giving (for additional fees and by outside experts under a separate agreement). The CLS is a comprehensive platform and network designed to deliver primary services to a client and their family members plus assist clients in pulling the above ancillary objectives and elements together.

### ***Janiczek Model Portfolio Solutions***

The Janiczek Model Portfolio Solution™ ("JMPS") service package is an investment-only solution for clients seeking to have their portfolio managed in one of five equity/fixed income mix models (25/75 +/- 10%, 40/60 +/-10%, 60/40 +/-10%, or 75/25 +/-10% equity/fixed income mix, and a Special \$10,000 or Less 50/50 +/-10% balanced equity/fixed income model). Clients on this service package receive a model portfolio, managed by Registrant, consisting of no-load mutual funds and/or ETFs. This service package includes limited servicing, customizing, and reporting compared to Registrant's other service offerings. Clients on this service package receive: 1) regular investment statements from the custodian utilized, 2) online access to account balances, 3) Market Commentary Reports (quarterly), and 4) discretionary model portfolio management from Registrant on an ongoing basis. Trades in these accounts are made on a bulk model portfolio level and are not customized to each individual client. Access to Registrant's advisors in this service package is limited to phone calls or meetings to assist the client in defining their time horizon, risk temperament, and general financial objectives and circumstances, and in selecting one of five model portfolios. Advisors are also available to discuss the allocation of the model portfolios and Registrant's assessment of investment conditions, including risks. Clients are also encouraged to read the prospectuses and annual reports of each holding to better understand what they are invested in. Access to Registrant's service team personnel is limited to opening accounts, depositing funds, withdrawing funds, or closing accounts.

This service package does not include financial, retirement, or estate planning and management services or any type of custom portfolio management. It also does not include the more advanced customizing, educating, counseling, or reporting services of our Complete Investment Solution. It is organized and priced as a model portfolio solution for individuals or organizations seeking a diversified portfolio of no-load mutual funds and/or ETFs selected and adjusted by Registrant from time to time. This service package is only offered and suggested for family members and friends of clients or employees desiring a model portfolio management solution. If more customizing, financial advising, planning, education and/or counseling is required than is offered in this service package, Registrant recommends such individuals or organizations seek and select an outside advisor of his or her choosing for such services.

JMPS Liquidity and Time Horizon Considerations. Registrant recommends that each JMPS participant maintain adequate liquid reserves in bank or money market accounts at an institution of their choice to meet short-term expense needs (within 1 year) and short-term/intermediate needs (1 to 3 years). For time horizons under 5 years, only the conservative/moderate 25/75  $\pm$ 10% model portfolio should be utilized. The 40/60, 60/40, 75/25, and Special \$10,000 or Less Balanced 50/50 models are designed for long-term investors with time horizons in excess of 5 years.

## **MISCELLANEOUS**

**Non-Investment Consulting/Implementation Services.** To the extent requested by the client, the Registrant *may* provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Neither the Registrant, nor any of its representatives, serves as an attorney, accountant, or licensed insurance agent, and no portion of the Registrant's services should be construed as same. To the extent requested by a client, the Registrant may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance agents, etc.), including representatives of the Registrant in their separate registered/licensed capacities as discussed below. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** It remains the client's responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

**Please Note: Inverse/Enhanced Market Strategies.** The Registrant may utilize long and short mutual funds and/or exchange traded funds that are designed to perform in either an: (1) inverse relationship to certain market indices (at a rate of 1 or more times the inverse [opposite] result of the corresponding index) as an investment strategy and/or for the purpose of hedging against downside market risk; and (2) enhanced relationship to certain market indices (at a rate of 1 or more times the actual result of the corresponding index) as an investment strategy and/or for the purpose of increasing gains in an advancing market. There can be **no assurance** that any such strategy will prove profitable or successful. In light of these enhanced risks/rewards, a client may direct the Registrant, in writing, not to employ any or all such strategies for his/her/their/its accounts.

**Independent Managers.** The Registrant may allocate (and/or recommend that the client allocate) a portion of a client's investment assets among unaffiliated independent investment managers in accordance with the client's designated investment objective(s). In such situations, the *Independent Manager[s]* shall have day-to-day responsibility for the active discretionary management of the allocated assets. The Registrant shall continue to render investment supervisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. Factors which Registrant shall consider in recommending Independent Managers include the client's designated investment objectives, management style, performance, reputation, financial strength, reporting, pricing, and research.

**Private Investment Funds.** Registrant may provide investment advice regarding unaffiliated private investment funds. The Registrant's role relative to the private investment funds shall be limited to its initial and ongoing due diligence and investment monitoring services. If a client determines to become a private fund investor, the amount of assets invested in the fund(s) shall be included as part of "assets under management" for purposes of Registrant calculating its investment advisory fee. Registrant's clients are under absolutely no obligation to consider or make an investment in a private investment fund(s).

**Please Note:** Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund's offering documents, which will be provided to each client for review and consideration. Unlike other liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment.

**Please Also Note: Valuation.** In the event that the Registrant references private investment funds owned by the client on any supplemental account reports prepared by the Registrant, the value(s) for all such private investment funds shall reflect either the initial purchase and/or the most recent valuation provided by the fund sponsor. If the valuation reflects the initial purchase price (and/or a value as of a previous date), the current value(s) (to the extent ascertainable) could be **significantly more or less** than the original purchase price.

**Other Business Activities.**

Joseph J. Janiczek, Founder and CEO of Janiczek & Company, Ltd. is engaged in a business other than giving investment advice. He is an award winning author and may create audio recordings, books, systems and tools that may be sold through various distribution channels. Mr. Janiczek is the creator of the Wealth with Ease® System and may license and train other advisors, organizations or consumers in utilizing this system through other entities including Wealth with Ease, LLC.

Wealth With Ease, LLC is an affiliated Delaware LLC foreign qualified to do business in Colorado; however, the entity does not provide any investment advisory or management services whatsoever. The entity was created to develop, own, and license proprietary tools, trademarks, processes, and systems created by Joseph J. Janiczek to the Registrant and possibly other investment adviser firms, financial institutions, or customers.

**Cash Positions.** At any specific point in time, depending upon perceived or anticipated market conditions/events (there being **no guarantee** that such anticipated market conditions/events will occur), the Registrant **may** maintain cash positions for defensive purposes. All cash positions (money markets, etc.) shall be included as part of assets under management for purposes of calculating the Registrant's advisory fee. **The Registrant's Chief Compliance Officer, Joseph J. Janiczek, remains available to address any questions that a client or prospective client may have regarding the above fee billing practice.**

**Client Obligations.** In performing its services, Registrant shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

**Disclosure Statement.** A copy of the Registrant's written Brochure as set forth on Part 2A of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the *Client Services Agreement*. Any client who has not received a copy of Registrant's written Brochure at least 48 hours prior to executing the *Client Services Agreement* shall have five business days subsequent to executing the agreement to terminate the Registrant's services without penalty.

- C. The Registrant shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, the Registrant shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at anytime, impose reasonable restrictions, in writing, on the Registrant's services.
- D. The Registrant does not participate in a wrap fee program.
- E. As of March 19, 2012 the Registrant had \$347,465,988 in assets under management on a discretionary basis.

## **Item 5            Fees and Compensation**

- A. The client can determine to engage the Registrant to provide discretionary investment advisory services on a *fee-only* basis.

### **INVESTMENT ADVISORY SERVICES**

The Registrant's investment and wealth management services are organized into a collective whole called the Wealth with Ease® System, offered in three service packages designed to meet the most common sets of Registrant's clients' needs. The Registrant advisory fees are as follows:

#### ***The Complete Investment Solution***

The Registrant's annual CIS fee is based upon a tiered percentage (%) of the market value of the assets placed under the Registrant's management as follows:

Start-up Fee: \$0

Ongoing Fee:

<u>End of Calendar Quarter Market Value of Investment Assets Under Our Management</u>	<u>Quarterly Fee Rate</u>	<u>Annual Fee Rate</u>
First \$0 to \$500,000	.30%	1.20%
Next \$500,000 to \$2 Million	.25%	1.00%
Next \$2 Million to \$5 Million	.20%	.80%
Next \$5 Million to \$10 Million	.15%	.60%
Next \$10 Million and above	.10%	.40%

#### ***Complete Wealth Solution***

Start-up Fee: \$3,000

Ongoing Fee:

The Registrant's annual CWS fee is based upon a tiered percentage (%) of the market value of the assets placed under the Registrant's management as follows:

<u>End of Calendar Quarter Market Value of Investment Assets Under Our Management</u>	<u>Quarterly Fee Rate</u>	<u>Annual Fee Rate</u>
First \$0 to \$500,000	.30%	1.20%
Next \$500,000 to \$2 Million	.25%	1.00%
Next \$2 Million to \$5 Million	.20%	.80%
Next \$5 Million to \$10 Million	.15%	.60%
Next \$10 Million and above	.10%	.40%

#### ***Complete Legacy Solution***

Start-up Fee: \$20,000

Ongoing Fee: \$10,000 per year plus

In addition to ongoing \$10,000 annual fee, the Registrant's annual CLS fee is based upon a tiered percentage (%) of the market value of the assets placed under the Registrant's management as follows:

<u>End of Calendar Quarter Market Value of Investment Assets Under Our Management</u>	<u>Quarterly Fee Rate</u>	<u>Annual Fee Rate</u>
First \$0 to \$500,000	.30%	1.20%
Next \$500,000 to \$2 Million	.25%	1.00%
Next \$2 Million to \$5 Million	.20%	.80%
Next \$5 Million to \$10 Million	.15%	.60%
Next \$10 Million and above	.10%	.40%



Special Family Commingled Rate: Please note that family members on the Complete Legacy Solution qualify for a preferred commingled family rate on all participating family member assets being managed. This enables family members with smaller accounts to be billed at lower rates than otherwise applicable.

***Janiczek Model Portfolio Solution™***

The Registrant waives all fees under the JMPS package. However, JMPS participants understand and acknowledge that assets invested in shares of mutual funds, ETFs or other vehicles utilized and/or the custodian or broker/dealer utilized charge fees and expenses that are borne by JMPS participants, as set forth in the prospectuses or fee schedules of such organizations. Additionally, the funds and custodian/brokerage used may charge short-term redemption fees if JMPS participants deposit and then withdraw funds in a short period of time, typically 90 days, or in the unlikely event that the Registrant does a round trip trade in the same short-term time frame.

No financial planning, other asset management, life enhancement or estate planning services are provided to JMPS clients. However, the Registrant may provide all or some of these additional services, at an additional fee, set forth in a separate written agreement between Registrant and the client.

- B. Both Registrant's *Client Services Agreement* and the custodial/ clearing agreement may authorize the custodian to debit the account for the amount of the Registrant's investment advisory fee and to directly remit that advisory fee to the Registrant in compliance with regulatory procedures. In the limited event that the Registrant bills the client directly, payment is due upon receipt of the Registrant's invoice. The Registrant shall deduct fees and/or bill clients quarterly in arrears, based upon the market value of the assets on the last business day of the previous quarter.
- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, the Registrant shall generally recommend that *Schwab* serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Schwab* charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). In addition to Registrant's investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).
- D. Registrant's annual investment advisory fee shall be prorated and paid quarterly, in arrears, based upon the market value of the assets on the last business day of the previous quarter. The Registrant generally requires a minimum asset level of \$1 million for investment advisory services in conjunction with the Wealth with Ease® System primary packages. The Registrant, in its sole discretion, may charge a lesser investment management fee and/or waive or reduce its minimum asset requirement based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

The *Client Services Agreement* between the Registrant and the client will continue in

effect until terminated by either party by written notice in accordance with the terms of the *Client Services Agreement*. Upon termination, the Registrant shall debit the account for the pro-rated portion of the unpaid advisory fee based upon the number of days that services were provided during the billing quarter. The termination fee includes an additional 30 days added to the period from the date of notification to fulfill a 30 day notice requirement. The termination fee, including the additional 30 days may be debited inside the 30 days and applied regardless of whether or not assets are transferred out of accounts or if registrant's services are terminated earlier than the 30 days.

\*In the event a client makes significant deposits or withdrawals (over \$500,000 or over 25% of the portfolio) in the middle of a quarter, Registrant reserves the right, at its discretion and without further notice to the client, to prorate their fee for the amount withdrawn or deposited.

- E. Neither the Registrant, nor its representatives accept compensation from the sale of securities or other investment products.

## **Item 6                      Performance-Based Fees and Side-by-Side Management**

Neither the Registrant nor any supervised person of the Registrant accepts performance-based fees.

## **Item 7                      Types of Clients**

The Registrant's clients shall generally include individuals, pension and profit sharing plans, business entities, trusts, estates and charitable organizations. The Registrant generally requires a minimum asset level of \$1 million for investment advisory services in conjunction with the Wealth with Ease® System primary packages. The Registrant, in its sole discretion, may charge a lesser investment management fee and/or waive or reduce its minimum asset requirement based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

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

- A. The Registrant may utilize the following methods of security analysis:
- Charting - (analysis performed using patterns to identify current trends and trend reversals to forecast the direction of prices)
  - Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
  - Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)
  - Cyclical – (analysis performed on historical relationships between price and market trends, to forecast the direction of prices)

The Registrant may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)
- Trading (securities sold within thirty (30) days)
- Short Sales (contracted sale of borrowed securities with an obligation to make the lender whole)
- Margin Transactions (use of borrowed assets to purchase financial instruments)
- Options (contract for the purchase or sale of a security at a predetermined price during a specific period of time)

**Please Note: Investment Risk.** Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by the Registrant) will be profitable or equal any specific performance level(s).

- B. The Registrant's methods of analysis and investment strategies do not present any significant or unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis the Registrant must have access to current/new market information. The Registrant has no control over the dissemination rate of market information; therefore, unbeknownst to the Registrant, certain analyses may be compiled with outdated market information, severely limiting the value of the Registrant's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

The Registrant's primary investment strategies - Long Term Purchases, Short Term Purchases, and Trading - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy. Trading, an investment strategy that requires the purchase and sale of securities within a thirty (30) day investment time period involves a very short investment time period but will incur higher transaction costs when compared to a short term investment strategy and substantially higher transaction costs than a longer term investment strategy.

In addition to the fundamental investment strategies discussed above, the Registrant may also implement and/or recommend – short selling, use of margin, and/or options transactions. Each of these strategies has a high level of inherent risk. (See discussion below).

Short selling is an investment strategy with a high level of inherent risk. Short selling, involves the selling of assets that the investor does not own. The investor borrows the assets from a third party lender (i.e. Broker-Dealer) with the obligation of buying identical assets at a later date to return to the third party lender. Individuals who engage in this activity shall only profit from a decline in the price of the assets between the

original date of sale and the date of repurchase. Conversely, the short seller will incur a loss if the price of the assets rises. Other costs of shorting may include a fee for borrowing the assets and payment of any dividends paid on the borrowed assets.

Margin is an investment strategy with a high level of inherent risk. A margin transaction occurs when an investor uses borrowed assets to purchase financial instruments. The investor generally obtains the borrowed assets by using other securities as collateral for the borrowed sum. The effect of purchasing a security using margin is to magnify any gains or losses sustained by the purchase of the financial instruments on margin. **Please note:** To the extent that a client authorizes the use of margin, and margin is thereafter employed by the Registrant in the management of the client's investment portfolio, the market value of the client's account and corresponding fee payable by the client to the Registrant may be increased. As a result, in addition to understanding and assuming the additional principal risks associated with the use of margin, clients authorizing margin are advised of the potential ***conflict of interest*** whereby the client's decision to employ margin *may* correspondingly increase the management fee payable to the Registrant. Accordingly, the decision as to whether to employ margin is left totally to the discretion of client.

The use of options transactions as an investment strategy involves a high level of inherent risk. Option transactions establish a contract between two parties concerning the buying or selling of an asset at a predetermined price during a specific period of time. During the term of the option contract, the buyer of the option gains the right to demand fulfillment by the seller. Fulfillment may take the form of either selling or purchasing a security depending upon the nature of the option contract. Generally, the purchase or the recommendation to purchase an option contract by the Registrant shall be with the intent of offsetting/"hedging" a potential market risk in a client's portfolio. **Please Note:** Although the intent of the options-related transactions that may be implemented by the Registrant is to hedge against principal risk, certain of the options-related strategies (i.e. straddles, short positions, etc), may, in and of themselves, produce principal volatility and/or risk. Thus, a client must be willing to accept these enhanced volatility and principal risks associated with such strategies. In light of these enhanced risks, client may direct the Registrant, in writing, not to employ any or all such strategies for his/her/their/its accounts.

- C. Currently, the Registrant primarily allocates client investment assets among various open ended, no-load mutual funds, ETFs (including inverse ETFs and/or mutual funds that are designed to perform in an inverse relationship to certain market indices) and fixed income securities and *Independent Manager[s]*, on a discretionary basis in accordance with the client's designated investment objective(s). (*See Independent Manager[s]* above).

As disclosed above, the Registrant may utilize long and short mutual funds and/or exchange traded funds that are designed to perform in either an: (1) inverse relationship to certain market indices (at a rate of 1 or more times the inverse [opposite] result of the corresponding index) as an investment strategy and/or for the purpose of hedging against downside market risk; and (2) enhanced relationship to certain market indices (at a rate of 1 or more times the actual result of the corresponding index) as an investment strategy and/or for the purpose of increasing gains in an advancing market. There can be **no assurance** that any such strategy will prove profitable or successful. In light of these

enhanced risks/rewards, a client may direct the Registrant, in writing, not to employ any or all such strategies for his/her/their/its accounts. (*See* Item 4 B).

## **Item 9           Disciplinary Information**

The Registrant has not been the subject of any disciplinary actions.

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

- A. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. The Registrant has no other relationship or arrangement with a related person that is material to its advisory business.
- D. The Registrant does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

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

- A. The Registrant maintains an investment policy relative to personal securities transactions. This investment policy is part of Registrant's overall Code of Ethics, which serves to establish a standard of business conduct for all of Registrant's Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, the Registrant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Registrant or any person associated with the Registrant.
- B. Neither the Registrant nor any related person of Registrant recommends, buys, or sells for client accounts, securities in which the Registrant or any related person of Registrant has a material financial interest.
- C. The Registrant and/or representatives of the Registrant *may* buy or sell securities that are also recommended to clients. This practice may create a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if the Registrant did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of the Registrant's clients) and other potentially abusive

practices.

The Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Registrant's "Access Persons". The Registrant's securities transaction policy requires that an Access Person of the Registrant must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date the Registrant selects; provided, however that at any time that the Registrant has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. The Registrant and/or representatives of the Registrant *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11 C, the Registrant has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Registrant's Access Persons.

## **Item 12 Brokerage Practices**

- A. In the event that the client requests that the Registrant recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct the Registrant to use a specific broker-dealer/custodian), Registrant generally recommends that investment management accounts be maintained at *Schwab*. Prior to engaging Registrant to provide investment management services, the client will be required to enter into a formal *Client Services Agreement* with Registrant setting forth the terms and conditions under which Registrant shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that the Registrant considers in recommending *Schwab* (or any other broker-dealer/custodian to clients) include historical relationship with the Registrant, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Registrant's clients shall comply with the Registrant's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Registrant determines, in good faith, that the commission/transaction fee is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Registrant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Registrant's investment management fee. The Registrant's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

1. Research and Additional Benefits

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Registrant may receive from *Schwab* (or another broker-dealer/custodian) without cost (and/or at a discount) support services and/or products, certain of which assist the Registrant to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by the Registrant may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Registrant in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that *may* be received may assist the Registrant in managing and administering client accounts. Others do not directly provide such assistance, but rather assist the Registrant to manage and further develop its business enterprise.

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at *Schwab* as a result of this arrangement. There is no corresponding commitment made by the Registrant to *Schwab* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**The Registrant's Chief Compliance Officer, Joseph J. Janiczek, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.**

2. The Registrant does not receive referrals from broker-dealers.
3. The Registrant does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Registrant will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Registrant. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

**Please Note:** In the event that the client directs Registrant to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Registrant.

**The Registrant's Chief Compliance Officer, Joseph J. Janiczek, remains available to address any questions that a client or prospective client may have regarding the above arrangement.**

- B. To the extent that the Registrant provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless the Registrant decides to purchase or sell the same securities for several clients at approximately the same time. The Registrant may (but is not obligated to) combine or “bunch” such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Registrant’s clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. The Registrant shall not receive any additional compensation or remuneration as a result of such aggregation.

### **Item 13          Review of Accounts**

- A. For those clients to whom Registrant provides investment supervisory services, account reviews are conducted on an ongoing basis by the Registrant's Principal and/or representatives. All investment supervisory clients are advised that it remains their responsibility to advise the Registrant of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with the Registrant on an annual basis.
- B. The Registrant *may* conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance.

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

- A. As referenced in Item 12.A.1 above, the Registrant may receive an indirect economic benefit from *Schwab*. The Registrant, without cost (and/or at a discount), may receive support services and/or products from *Schwab*.

Registrant’s clients do not pay more for investment transactions effected and/or assets maintained at *Schwab* as a result of this arrangement. There is no corresponding commitment made by the Registrant to *Schwab* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as result of the above arrangement.



**The Registrant's Chief Compliance Officer, Joseph J. Janiczek, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.**

- B. If a client is introduced to the Registrant by either an unaffiliated or an affiliated solicitor, Registrant *may* pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from the Registrant's investment management fee, and shall not result in any additional charge to the client. If the client is introduced to the Registrant by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of his/her/its solicitor relationship, and shall provide each prospective client with a copy of the Registrant's written Brochure with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between the Registrant and the solicitor, including the compensation to be received by the solicitor from the Registrant.

## **Item 15           Custody**

The Registrant shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance.

**Please Note:** To the extent that the Registrant provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by the Registrant with the account statements received from the account custodian. **Please Also Note:** The account custodian does not verify the accuracy of the Registrant's advisory fee calculation.

## **Item 16           Investment Discretion**

The client can determine to engage the Registrant to provide investment advisory services on a discretionary basis. Prior to the Registrant assuming discretionary authority over a client's account, the client shall be required to execute an *Client Services Agreement*, naming the Registrant as the client's attorney and agent in fact, granting the Registrant full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage the Registrant on a discretionary basis may, at anytime, impose restrictions, **in writing**, on the Registrant's discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe the Registrant's use of margin, etc.).

## **Item 17          Voting Client Securities**

- A. The Registrant does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.
- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact the Registrant to discuss any questions they may have with a particular solicitation.

## **Item 18          Financial Information**

- A. The Registrant does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. The Registrant is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. The Registrant has not been the subject of a bankruptcy petition.

**ANY QUESTIONS: The Registrant's Chief Compliance Officer, Joseph J. Janiczek, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**