

# Disclosure Brochure

September 26, 2012

## **Seidman Investment Advisors, LLC**

*a Registered Investment Adviser*

20 Park Row, Unit 1A  
Chatham, New York 12037

(518) 348-8626

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

This brochure provides information about the qualifications and business practices of Seidman Investment Advisors, LLC (herein after "SIA"). If you have any questions about the contents of this brochure, please contact Scott B. Seidman at (518) 348-8626. 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 Seidman Investment Advisors, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Seidman Investment Advisors, LLC is an SEC registered investment adviser. Registration does not imply any level of skill or training.

## **Item 2. Material Changes**

This Item of the brochure discusses only the material changes that have occurred since SIA's last annual update dated February 22, 2012. Since the annual amendment filing, the firm has moved its principal place of business to the address listed on the cover page of this Disclosure Brochure.

## Item 3. Table of Contents

Item 1. Cover Page .....	i
Item 2. Material Changes .....	ii
Item 3. Table of Contents .....	iii
Item 4. Advisory Business .....	4
Item 5. Fees and Compensation .....	6
Item 6. Performance-Based Fees and Side-by-Side Management .....	9
Item 7. Types of Clients .....	9
Item 8. Methods of Analysis, Investment Strategies and Risk of Loss .....	9
Item 9. Disciplinary Information .....	12
Item 10. Other Financial Industry Activities and Affiliations .....	13
Item 11. Code of Ethics .....	13
Item 12. Brokerage Practices .....	14
Item 13. Review of Accounts .....	17
Item 14. Client Referrals and Other Compensation .....	18
Item 15. Custody .....	18
Item 16. Investment Discretion .....	18
Item 17. Voting Client Securities .....	18
Item 18. Financial Information .....	19

## Item 4. Advisory Business

SIA is a fee-only advisory firm that seeks to provide clients with responsive and personalized services built on trust and confidence. The firm strives to provide each client with a customized portfolio strategy, recommending and selecting only those investments that are consistent with a client's investment objective, time horizon and risk profile.

SIA was founded by the firm's current principal, Scott B. Seidman, and has been in business as a registered investment adviser since July 14, 2004. SIA had \$40,165,750 of assets under management as of January 10, 2012, of which \$34,511,630 are managed on a discretionary basis and \$5,654,750 are managed on a non-discretionary basis.

SIA provides services relating to financial planning, consulting, and investment management. Prior to engaging SIA to provide any of the foregoing investment advisory services, the client is required to enter into one or more written agreements with SIA setting forth the terms and conditions under which SIA renders its services (collectively the "*Agreement*").

This disclosure brochure describes the business of SIA. Certain sections will also describe the activities of *Supervised Persons*. *Supervised Persons* are any of SIA's officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on SIA's behalf and is subject to SIA's supervision or control.

### Financial Planning and Consulting Services

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SIA may provide its clients with a broad range of comprehensive financial planning and consulting services (which may include non-investment and tax related matters). These services generally include business, investment, insurance, retirement and education planning, as well as cash-flow and tax strategies.

In performing its services, SIA is not required to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. SIA may recommend the services of itself and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if SIA recommends its own services. The client is under no obligation to act upon any of the recommendations made by SIA under a financial planning or consulting engagement or to engage the services of any such recommended professional, including SIA itself. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of SIA's recommendations. Clients are advised that it remains their responsibility to promptly notify SIA if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising SIA's previous recommendations and/or services.

## Investment Management Services

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Clients can engage SIA to manage all or a portion of their assets on a discretionary or non-discretionary basis. Certain investment-related financial planning and/or consulting services, as discussed above, may be included in SIA's investment management services, at no additional charge to the client.

SIA primarily allocates clients' investment management assets on a discretionary and/or a non-discretionary basis among independent investment managers ("*Independent Managers*"), mutual funds, exchange-traded funds ("ETFs"), individual debt and equity securities and/or options in accordance with the investment objectives of the client. SIA also provides advice about any type of investment held in clients' portfolios.

SIA also may render non-discretionary investment management services to clients relative to variable life/annuity products that they may own, their individual employer-sponsored retirement plans, and/or 529 plans, or other products that may not be held by the client's primary custodian. In so doing, SIA either directs or recommends the allocation of client assets among the various investment options that are available with the product. Client assets are maintained at the specific insurance company or custodian designated by the product.

SIA tailors its advisory services to the individual needs of its clients. SIA meets with clients and creates an investor profile, accounting for their individual finances, investment expectations, time horizon, and risk constraints. Thereafter, SIA customizes an investment strategy, whereby it strives to ensure that its client's investments are suitable for their investment needs, goals, objectives and risk tolerance.

Clients are advised to promptly notify SIA if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon SIA's management services. Clients may impose reasonable restrictions or mandates on the management of their account if, in SIA's sole discretion, it determines that these conditions will not materially impact the performance of a portfolio or prove overly burdensome to its management efforts.

## Use of Independent Managers

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As mentioned above, SIA recommends that certain clients authorize the active discretionary management of a portion of their assets by and/or among certain *Independent Managers*, based upon the stated investment objectives of the client. The terms and conditions under which the client engages the *Independent Managers* are set forth in a separate written agreement between SIA or the client and the designated *Independent Managers*. SIA renders services to the client relative to the discretionary and/or non-discretionary selection or recommendation of *Independent Managers*. SIA also monitors and reviews the account performance and the client's investment objectives. SIA receives an annual advisory fee which is based upon a percentage of the market value of the assets being managed by the designated *Independent Managers*.

When recommending or selecting an *Independent Manager* for a client, SIA reviews information about the *Independent Manager* such as its disclosure statement and/or material supplied by the *Independent Manager* or independent third parties for a description of the *Independent Manager's* investment strategies, past performance and risk results to the extent available. Factors that SIA considers in recommending an *Independent Manager* include the client's stated investment objectives, management style, performance, reputation, financial strength, reporting, pricing, and research. The investment management fees charged by the designated *Independent Managers*, together with the fees charged by the corresponding designated broker-dealer/custodian of the client's assets, may be exclusive of, and in addition to, SIA's investment advisory fee set forth above. As discussed above, the client may incur additional fees than those charged by SIA, the designated *Independent Managers*, and corresponding broker-dealer and custodian.

In addition to SIA's disclosure brochure, the client also receives the written disclosure brochure of the designated *Independent Managers*. Certain *Independent Managers* may impose more restrictive account requirements and varying billing practices than SIA. In such instances, SIA may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.

### **Sponsor of Wrap Program**

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SIA is the sponsor of the Total Investment Management Program (the "*Program*"), a wrap fee program. In the event the client participates in the *Program*, SIA provides its investment management services and arranges for brokerage transactions under a single annualized fee. Participants in the *Program* may pay a higher aggregate fee than if investment management and brokerage services are purchased separately. A complete description of the *Program's* terms and conditions (including fees) are contained in the *Program's* wrap fee brochure, as set forth on Part 2A Appendix 1 of Form ADV.

### **Additions and Withdrawals to Accounts**

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Clients may make additions to and withdrawals from their account at any time, subject to SIA's right to terminate an account. Clients may withdraw account assets on notice to SIA, subject to the usual and customary securities settlement procedures. However, SIA designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives.

## **Item 5. Fees and Compensation**

SIA offers its services on a fee basis, which may include hourly and/or fixed fees, as well as fees based upon assets under management.

## Financial Planning and Consulting Fees

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SIA may charge a fixed fee and/or hourly fee for financial planning and consulting services. These fees are negotiable, but generally range from \$500 to \$1,000 on a fixed fee basis and/or from \$150 to \$250 on an hourly rate basis, depending upon the level and scope of the services and the professional rendering the financial planning and/or consulting services. If the client engages SIA for additional investment advisory services, SIA may offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services.

Prior to engaging SIA to provide financial planning and/or consulting services, the client is required to enter into a written agreement with SIA setting forth the terms and conditions of the engagement. Generally, SIA requires one-half of the financial planning / consulting fee (estimated hourly or fixed) payable upon entering the written agreement. The balance is generally due upon delivery of the financial plan or completion of the agreed upon services.

## Investment Management Fee

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SIA provides investment management services for an annual fee, based upon a percentage of the market value of the assets being managed by SIA. SIA's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which is incurred by the client. However, SIA does not receive any portion of these commissions, fees, and costs. The annual fee varies between 0.25% and 2.50%, depending upon the amount of the assets under management, composition of the client's portfolio and the type of investment services to be rendered. SIA's annual fee is prorated and charged quarterly, in arrears, based upon the market value of the assets being managed by SIA. The annual fee is based on the average capital base of the previous quarter. The average capital base value is calculated as follows:

$$\text{Average Capital Base} = \text{Starting Quarterly Account Balance} + \frac{\left( \begin{array}{c} \text{Amount Added} \\ \text{or Withdrawn} \end{array} \right) \times \left( \begin{array}{c} \text{Number of Days Left in Quarter at} \\ \text{Time of Addition or Withdrawal} \end{array} \right)}{\text{Total Number of Days in Quarter}}$$

As further discussed under Item 7, SIA also imposes a minimum portfolio value of \$25,000 for new and existing investment management client accounts. SIA, in its sole discretion, may negotiate to waive its stated minimum portfolio value or charge a lesser management fee 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, pre-existing client, account retention, *pro bono* activities, etc.).

## **Fees Charged by Financial Institutions**

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As further discussed in response to Item 12 (below), SIA generally recommends that clients utilize the brokerage and clearing services of TD Ameritrade Institutional, a division of TD Ameritrade, Inc. member FINRA/SIPC ("*TD Ameritrade*"), for investment management accounts. SIA participates in the institutional customer program offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC/NFA ("*TD Ameritrade*"), an unaffiliated SEC-registered broker-dealer and FINRA member. *TD Ameritrade* offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. SIA receives some benefits from *TD Ameritrade* through its participation in the program.

SIA only implements its investment management recommendations after the client has arranged for and furnished SIA with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to, *TD Ameritrade*, any other broker-dealer recommended by SIA, broker-dealer directed by the client, trust companies, banks etc. (collectively referred to herein as the "*Financial Institutions*").

Clients may incur certain charges imposed by the *Financial Institutions* and other third parties such as fees charged by *Independent Managers* (as defined below), custodial fees, charges imposed directly by a mutual fund or ETF in the account, which are disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Additionally, for assets outside of any wrap fee programs, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to SIA's fee.

SIA's *Agreement* and the separate agreement with any *Financial Institutions* may authorize SIA or *Independent Managers* to debit the client's account for the amount of SIA's fee and to directly remit that management fee to SIA or the *Independent Managers*. Any *Financial Institutions* recommended by SIA have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to SIA.

## **Fees for Management During Partial Quarters of Service**

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For the initial period of investment management services, the fees are calculated on a *pro rata* basis.

The *Agreement* between SIA and the client will continue in effect until terminated by either party pursuant to the terms of the *Agreement*. SIA's fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate.

Additions may be in cash or securities provided that SIA reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. SIA may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when



transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

If assets are deposited into or withdrawn from an account after the inception of a quarter, the fee payable with respect to such assets will be adjusted according to the average capital base calculation, as discussed above.

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

SIA does not provide any services for performance-based fees. Performance-based fees are those based on a share of capital gains on or capital appreciation of the assets of a client.

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

SIA provides its services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities.

#### **Minimum Account Size**

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As a condition for starting and maintaining a relationship, SIA generally imposes a minimum portfolio size of \$25,000. SIA, in its sole discretion, may accept clients with smaller portfolios based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and *pro bono* activities. SIA only accepts clients with less than the minimum portfolio size if, in the sole opinion of SIA, the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. SIA may aggregate the portfolios of family members to meet the minimum portfolio size.

Additionally, certain *Independent Managers* may impose more restrictive account requirements and varying billing practices than SIA. In such instances, SIA may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.

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

#### **Primary Methods of Analysis**

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SIA relies primarily on a combination of fundamental and technical methods of analysis.

*Fundamental analysis* involves the fundamental financial condition and competitive position of a company. SIA analyzes the financial condition, capabilities of management, earnings, new products and services, as well as the company's markets and position amongst its competitors in order to determine the recommendations made to clients. The primary risk in using fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security.

*Technical analysis* involves the analysis of past market data rather than specific company data in determining the recommendations made to clients. Technical analysis may involve the use of charts to identify market patterns and trends which may be based on investor sentiment rather than the fundamentals of the company. The primary risk in using technical analysis is that spotting historical trends may not help to predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that SIA will be able to accurately predict such a reoccurrence.

### **Investment Strategy**

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SIA seeks to help its clients develop the right strategy, achieve the proper portfolio mix, and select the right managers to help further their financial goals and investment objectives. SIA customizes each investment process on an individual basis. After consulting with its clients, SIA undertakes an analysis of all information relevant to their particular financial, demographic and investment-related conditions. SIA then develops an individualized investment strategy, taking in to account an assortment of client-specific factors. These factors include investment needs and objectives, time horizon, risk tolerance and other conditions relevant to the client's financial situation.

SIA's investment's process is grounded in the belief that long-term investing should not be based on volatility, tips or hunches. Instead, SIA employs a combination of quantifiable research and analysis with careful consideration of risk-reward factors and strong fundamentals. SIA strives to utilize a disciplined approach to investing through diversification and risk management.

### **Risk of Loss**

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#### *Mutual Funds and ETFs*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss. As such, a fund investor may incur substantial tax liabilities even when the fund underperforms.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated

daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

### *Options*

Options allow investors to buy or sell a security at a contracted "strike" price (not necessarily the current market price) at or within a specific period of time. Clients may pay or collect a premium for buying or selling an option. Investors transact in options to either hedge (limit) losses in an attempt to reduce risk or to speculate on the performance of the underlying securities. Options transactions contain a number of inherent risks, including the partial or total loss of principal in the event that the value of the underlying security or index does not increase/decrease to the level of the respective strike price. Holders of options contracts are also subject to default by the option writer which may be unwilling or unable to perform its contractual obligations.

### *Market Risks*

The profitability of a significant portion of SIA's recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that SIA will be able to predict those price movements accurately.

### *Use of Independent Managers*

SIA may recommend the use of *Independent Managers* for certain clients. SIA will continue to do ongoing due diligence of such managers, but such recommendations relies, to a great extent, on the *Independent Managers* ability to successfully implement their investment strategy. In addition, SIA does not have the ability to supervise the *Independent Managers* on a day-to-day basis, if at all.

### *Use of Margin*

To the extent that a client authorizes the use of margin, and margin is thereafter employed by SIA 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 SIA will 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 correspondingly increases the management fee payable to SIA. Accordingly, the decision as to whether to employ margin is left totally to the discretion of client.

While the use of margin borrowing can substantially improve returns, such use may also increase the adverse impact to which a client's portfolio may be subject. Borrowings will usually be from securities brokers and dealers and will typically be secured by the client's securities and/or other assets. Under certain circumstances, such a broker-dealer may demand an increase in the collateral that secures the client's obligations and if the client were unable to provide additional collateral, the broker-dealer could liquidate assets held in the account to satisfy the client's obligations to the broker-dealer. Liquidation in that manner could have extremely adverse consequences. In addition, the amount of the client's borrowings and the interest rates on those borrowings, which will fluctuate, will have a significant effect on the client's profitability.

### *General Risk of Loss*

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

## **Item 9. Disciplinary Information**

SIA is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management.

In the past, while employed in his personal capacity as a registered representative of a broker-dealer, Scott B. Seidman, the principal of SIA, was subject to a Massachusetts consent order and conditional registration, entered on January 17, 2003, which placed certain limitations on his activities as an agent of the broker-dealer. Following allegations that he had engaged in unauthorized trading activities, Mr. Seidman was subject to a second Massachusetts consent order and conditional registration, entered on July 14, 2004, under which he was assessed a six-month suspension from the securities industry in the Commonwealth of Massachusetts, applied retroactively, as of January 13, 2004. Thereafter, in December 2004, Mr. Seidman, by way of Acceptance, Waiver & Consent, received a fine and 30-day suspension from association with any National Association of Securities Dealers (NASD) member, in relation to the alleged predicate violation.

None of the above events resulted in a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct. Mr. Seidman neither admitted nor denied any of the allegations or findings that gave rise to these administrative actions. Mr. Seidman is not currently subject to any restrictions from these orders.

For further information about the disciplinary history of SIA or its investment adviser representatives, please refer to the Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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

SIA is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. SIA has described such relationships below.

#### **Business Interests of a Supervised Person**

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The principal business of SIA's Chief Compliance Officer and Vice President, William Seidman, is as a consultant in his individual capacity. SIA does not anticipate this relationship will pose any conflicts of interests with SIA's clients. SIA anticipates that William Seidman will devote approximately fifty percent (50%) of his time to this business.

### Item 11. Code of Ethics

SIA and persons associated with SIA ("Associated Persons") are permitted to buy or sell securities that it also recommends to clients consistent with SIA's policies and procedures.

SIA has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws ("*Code of Ethics*"). In accordance with Section 204A of the Advisers Act, its *Code of Ethics* contains written policies reasonably designed to prevent the unlawful use of material non-public information by SIA or any of its associated persons. The *Code of Ethics* also requires that certain of SIA's personnel (called "*Access Persons*") report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

Unless specifically permitted in SIA's *Code of Ethics*, none of SIA's *Access Persons* may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the *Access Person*) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of SIA's clients.

When SIA is purchasing or considering for purchase any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when SIA is selling or considering the sale of any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact SIA to request a copy of its *Code of Ethics*.

### Item 12. Brokerage Practices

As discussed above, in Item 5, SIA generally recommends that clients utilize the brokerage and clearing services of *TD Ameritrade*.

Factors which SIA considers in recommending *TD Ameritrade* or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. *TD Ameritrade* enables SIA to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by *TD Ameritrade* may be higher or lower than those charged by other *Financial Institutions*.

The commissions paid by SIA's clients comply with SIA's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified *Financial Institution* might charge to effect the same transaction where SIA determines that the commissions are 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 *Financial Institution's* services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. SIA seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

SIA periodically and systematically reviews its policies and procedures regarding its recommendation of *Financial Institutions* in light of its duty to obtain best execution.

The client may direct SIA in writing to use a particular *Financial Institution* to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that *Financial Institution*, and SIA will not seek better execution services or prices from other *Financial Institutions* or be able to "batch" client transactions for execution through other *Financial*

*Institutions* with orders for other accounts managed by SIA (as described below). As a result, the 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. Subject to its duty of best execution, SIA may decline a client's request to direct brokerage if, in SIA's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Transactions for each client generally will be effected independently, unless SIA decides to purchase or sell the same securities for several clients at approximately the same time. SIA may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among SIA'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 generally be averaged as to price and allocated among SIA's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that SIA determines to aggregate client orders for the purchase or sale of securities, including securities in which SIA's *Supervised Persons* may invest, SIA generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. SIA does not receive any additional compensation or remuneration as a result of the aggregation. In the event that SIA determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, SIA may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist SIA in its investment decision-making process. Such research generally will be used to service all of SIA's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because SIA does not have to produce or pay for the products or services.



## Software and Support Provided by Financial Institutions

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SIA may receive from *TD Ameritrade*, without cost, computer software and related systems support, which allow SIA to better monitor client accounts maintained at *TD Ameritrade*. SIA may receive the software and related support without cost because SIA renders investment management services to clients that, in the aggregate, maintain a certain level of assets at *TD Ameritrade*.

SIA also participates in the TD Ameritrade Institutional program and may recommend clients to *TD Ameritrade* for custody and brokerage services. *TD Ameritrade* is an independent and unaffiliated SEC-registered broker-dealer and FINRA member. There is no direct link between SIA's participation in the program and the investment advice it gives to its clients.

SIA may receive benefits through its participation in the program that are typically not available to *TD Ameritrade* retail clients. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations, research related products and tools, consulting services, access to a trading desk serving adviser participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts), the ability to have advisory fees deducted directly from client accounts, access to an electronic communications network for client order entry and account information, access to mutual funds with no transaction fees and to certain institutional money managers, and discounts on compliance, marketing, research, technology, and practice management products or services provided SIA by third party vendors.

*TD Ameritrade* may also pay for business consulting and professional services received by SIA's related persons. Some of the products and services made available by *TD Ameritrade* through the program may benefit SIA but may not benefit all of its client accounts. These products or services may assist Registrant in managing and administering client accounts, including accounts not maintained at *TD Ameritrade*. Other services made available by *TD Ameritrade* are intended to help SIA manage and further develop its business enterprise. The benefits received by SIA or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to *TD Ameritrade*.

As part of its fiduciary duties to clients, SIA endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by SIA or its related persons in and of itself creates a potential conflict of interest and may indirectly influence SIA's choice of *TD Ameritrade* for custody and brokerage services.

SIA also receives from *TD Ameritrade* certain additional economic benefits ("*Additional Services*") that may or may not be offered to any other independent investment advisor participating in the program. Specifically, the *Additional Services* include BaySys and Advent. *TD Ameritrade* provides the *Additional Services* to SIA in its sole discretion and at its own expense, and SIA does not pay any fees to *TD*



*Ameritrade* for the *Additional Services*. SIA and *TD Ameritrade* have entered into a separate agreement ("*Additional Services Addendum*") to govern the terms of the provision of the *Additional Services*.

SIA's receipt of *Additional Services* raises potential conflicts of interest. However, in providing these *Additional Services* to SIA, *TD Ameritrade* most likely considers the amount and profitability to *TD Ameritrade* of the assets in, and trades placed for, SIA's client accounts maintained with *TD Ameritrade*. *TD Ameritrade* has the right to terminate the *Additional Services Addendum* with SIA, in its sole discretion, provided certain conditions are met. Consequently, in order to continue to obtain the *Additional Services* from *TD Ameritrade*, SIA may have an incentive to recommend to its clients that the assets under management by SIA be held in custody with *TD Ameritrade* and to place transactions for client accounts with *TD Ameritrade*. SIA's receipt of these benefits does not diminish its duty to seek best execution as discussed above.

### Item 13. Review of Accounts

For those clients to whom SIA provides investment management services, SIA monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. For those clients to whom SIA provides financial planning and/or consulting services, reviews are conducted on an "as needed" basis. Such reviews are conducted by one of SIA's investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with SIA and to keep SIA informed of any changes thereto. SIA contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those clients to whom SIA provides investment advisory services will also receive a report from SIA that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance as clients may request from time to time. Clients should compare the account statements they receive from their custodian with those they receive from SIA.

Those clients to whom SIA provides financial planning and/or consulting services will receive reports from SIA summarizing its analysis and conclusions as requested by the client or otherwise agreed to in writing by SIA.

### Item 14. Client Referrals and Other Compensation

SIA is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. In addition, SIA is required to disclose any direct or indirect compensation that it provides for client referrals. SIA does not have any disclosures to report in response to this Item.

### Item 15. Custody

SIA is deemed to have custody over a client's assets when it is authorized to directly debit a client's account for payment of the firm's quarterly management fee. In accordance with applicable custody rules, the *Financial Institutions* recommended by SIA have agreed to send statements to clients, not less than quarterly, indicating all amounts paid to SIA.

SIA may also send periodic reports to clients, as discussed in Item 13. Clients are advised to carefully review the statements and confirmations sent directly by the *Financial Institutions* and to compare them with any reports received from SIA

### Item 16. Investment Discretion

SIA may retain the authority to exercise discretion on behalf of clients. SIA is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. SIA is given this authority through a power-of-attorney included in the agreement between SIA and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). SIA takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made; and
- The *Independent Managers* to be hired or fired.

### Item 17. Voting Client Securities

SIA is required to disclose if it accepts authority to vote client securities. SIA does not vote client securities on behalf of its clients.

### **Item 18. Financial Information**

SIA does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance. In addition, SIA is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. SIA has no disclosures pursuant to this Item.

## **Seidman Investment Advisors, LLC**

*a Registered Investment Adviser*

20 Park Row, Unit 1A  
Chatham, New York 12037

(518) 348-8626

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

Prepared by:

