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## **Form ADV, Part 2A Brochure**

November 1, 2012

This brochure provides information about the qualifications and business practices of Triad Investment Management, LLC. If you have any questions about the contents of this brochure, please contact us at (949) 851-7902 or [jheldman@triadinvestmentmanagement.com](mailto:jheldman@triadinvestmentmanagement.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Any reference to or use of the terms "registered investment adviser" or "registered," does not imply that Triad Investment Management, LLC or any person associated with Triad Investment Management, LLC has achieved a certain level of skill or training.

Additional information about Triad Investment Management, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **ITEM 2 - MATERIAL CHANGES**

**Revised November 1, 2012**

The purpose of this page is to inform you of any material changes since the previous version of this brochure. If you are receiving this brochure for the first time this section may not be relevant to you.

Triad Investment Management, LLC ("Triad") reviews and updates our brochure at least annually to make sure that it is still current. We have not made material changes since our previous brochure, dated February 7, 2012.

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## ITEM 4 - ADVISORY BUSINESS

### Description of Advisory Firm

Triad Investment Management, LLC (“Triad,” “we,” “our,” or “us”) is a privately owned limited liability company headquartered in Newport Beach, CA. Triad is registered as an investment adviser with the U.S. Securities and Exchange Commission.

John Heldman, Managing Member, founded Triad in 2008.

### Advisory Services Offered

Triad offers the following services to advisory clients:

#### Investment Management Services

Triad provides continuous and regular investment supervisory services on a discretionary basis. John Heldman works with clients and has the ongoing responsibility to select and/or make recommendations, based upon the objectives of the client, as to specific securities or other investments that he purchases or sells in client accounts.

Triad’s recommendations for new investments will primarily include:

1. Equity securities
2. Warrants
3. Fixed income securities, including corporate bonds, government bonds and, municipal bonds,
4. Real estate investment trusts (REIT)
5. Publicly Traded Master Limited Partnerships (MLP’s)

Additionally, Triad’s recommendations, depending on the individual investment objectives and needs of the client may include:

1. Foreign securities listed on US exchanges (ADRs)
2. ETFs

Triad may also occasionally offer advice regarding additional types of investments if they are appropriate to address the individual needs, goals, and objectives of the client or in response to client inquiry. Triad may offer investment advice on any investment held by the client at the start of the advisory relationship. We describe the material investment risks for many of the securities that we recommend under the heading ***Specific Security Risks*** in ***Item 8*** below.

We discuss our discretionary authority below under ***Item 16 - Investment Discretion***. For more information about the restrictions clients can put on their accounts, see ***Tailored Services and Client Imposed Restrictions*** in this item below.

We describe the Fees charged for investment management services below under ***Item 5 - Fees and Compensation***.

## Limitations on Investments

### *Limitation by Client*

Triad may limit advice based on certain client-imposed restrictions. For more information about the restrictions clients can put on their accounts, see ***Tailored Services and Client Imposed Restrictions*** in this Item below.

## **Tailored Services and Client Imposed Restrictions**

Triad manages client accounts based on the investment strategy, as discussed below under ***Item 8 - Methods of Analysis, Investment Strategies, and Risk of Loss***. Triad applies the strategy for each client, based on the client's individual circumstances and financial situation. We make investment decisions for clients based on information the client supplies about their financial situation, goals, and risk tolerance. Our recommendations may be limited if the client does not provide us with accurate and complete information. It is the client's responsibility to keep Triad informed of any changes to their investment objectives or restrictions.

Clients may also request other restrictions on the account, such as when a client needs to keep a minimum level of cash in the account or does not want Triad to buy or sell certain specific securities or security types in the account. Triad reserves the right to not accept and/or terminate management of a client's account if we feel that the client-imposed restrictions would limit or prevent us from meeting or maintaining the client's investment strategy.

## **Wrap Fee Programs**

Triad does not manage accounts as part of a wrap or bundled fee program.

## **Assets Under Management**

Triad manages client assets in both discretionary and non-discretionary accounts on a continuous and regular basis. As of February 6, 2012, the total amount of assets under our management was:

Discretionary Assets	\$ 88,835,885
Non-Discretionary Assets	\$ 2,713,069
 Total Assets	 \$ 91,548,954

## **ITEM 5 - FEES AND COMPENSATION**

### **Fee Schedule**

#### Investment Management Services

Triad charges advisory fees for investment management services. The table below represents fees charged on the equity portion of a client's account. Cash will be considered part of the equity portion of

the account. Triad's advisory fees are charged based on a percentage of the fair market value of the portfolio, per the following schedule:

<u>Assets Under Management</u>	<u>Annual Fee</u>
Initial \$2,500,000	1.50%
Next \$2,500,000	1.30%
Over \$5,000,000	1.10%

Some accounts may be under different fee schedules honoring prior agreements. Our standard fee schedule may be negotiable based on a number of factors, which include but are not limited to "grandfathered" accounts, related accounts, and other structures that we may consider in special situations. We also manage Triad employee and related accounts without charge.

## **Billing Method**

### *Investment Management Services*

Triad's advisory fees are payable quarterly in advance at the beginning of each calendar quarter. We charge one fourth of the annual fee each quarter based on the market value of the client's portfolio as of the last day of the prior calendar quarter. The formula used for the calculation is as follows:  $(\text{Annual Rate}) \times (\text{Total Assets Under Management at Quarter-End}) / 4$ .

For new client accounts, the first payment is a pro-rata calculation due upon execution of the advisory agreement. The calculation will take into consideration the number of days remaining in the quarter and the initial value of the portfolio. The formula used to calculate the initial advisory fee would be as follows:  $(\text{Result of Quarterly Calculation}) \times (\text{Days Remaining in Quarter}) / (\text{Total Number of Days in Quarter})$ .

Triad generally aggregates client accounts that have family relationships with each other for purposes of calculating the advisory fees applicable to each client. We generally waive fees for our personnel and their family members.

With client authorization, Triad will automatically withdraw Triad's advisory fee from the client's account held by an independent custodian. Typically, the custodian withdraws advisory fees from the client's account during the first month of each quarter based on Triad's instruction. All clients will receive brokerage statements from the custodian no less frequently than quarterly. The custodian statement will show the deduction of the advisory fee.

## **Other Fees and Expenses**

Triad's fees do not include custodian fees. Clients pay all brokerage commissions, stock transfer fees, and/or other similar charges incurred in connection with transactions in accounts from the assets in the account, which are in addition to the fees client pays to Triad. See **Item 12 - Brokerage Practices** below for more information.



## **Termination**

### **Investment Management Services**

Either party may terminate the advisory agreement at any time by providing written notice to the other party. The client may terminate the agreement at any time by writing Triad at our office.

Triad will refund any prepaid, unearned advisory fees based on the effective date of termination. Upon termination of the agreement, we will send the client a prorated refund of unearned advisory fees using the following formula:  $(Fees\ Paid) \times (Days\ Remaining\ in\ Quarter) / (Total\ Number\ of\ Days\ in\ Quarter)$ .

In the event the client terminates the investment advisory agreement, Triad will not liquidate any securities in the account unless authorized in writing by the client to do so. In the event of client's death or disability, Triad will continue management of the account until we are notified of client's death or disability and given alternative instructions by an authorized party.

## **Other Compensation**

Triad does not accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

## **ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Triad does not charge performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

## **ITEM 7 - TYPES OF CLIENTS**

Triad offers discretionary and non-discretionary investment advisory services to individuals, including high net worth individuals. In addition, we provide advisory services to foundations and businesses.

## **Account Requirements**

Generally, Triad requires clients to maintain a minimum relationship of \$500,000. Significant funds withdrawal may result in a request for additional fund deposits to continue with management of accounts. We may combine family accounts to meet the account size minimum. Triad may reduce or waive the account minimum requirements at our discretion.

## **ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

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

#### **General Investment Strategies**

Triad's general investment strategy is to seek capital growth and attempts to minimize the probability of permanent losses over the longer-term, with less emphasis on short-term market fluctuations. Triad

typically maintains concentrated equity portfolios with generally 20 to 30 equity positions, as we believe our clients will benefit from our extensive independent research and conviction in our investment ideas. More specifically, depending on client investment objectives, we utilize multiple asset classes, market capitalizations, and sectors to provide diversification. Each portfolio composition is determined in accordance with the clients' investment objectives, risk tolerance, time horizon, and need for capital appreciation or income. We deal with any client restrictions on an account-by-account basis.

Since Triad treats each client account uniquely, client portfolios with similar investment objectives and asset allocation goals may own different securities. Timing and tax factors also influence Triad's investment decisions. We attempt to manage accounts in a similar manner but occasionally clients who buy or sell securities on the same day may receive different prices.

### *Methods of Analysis for Selecting Securities*

Triad uses fundamental analysis in the selection of individual securities. Additionally, Triad may use specific strategies or resources in the method of analysis and selection of fixed income securities.

#### *Fundamental Analysis*

Fundamental analysis typically involves analysis of corporate financial statements, management presentations, specialized research publications, and general news sources. Specifically, Triad's analysis is focused on three primary aspects of each corporation: the degree of competitive advantages relative to competitors, management abilities and shareholder-aligned incentives, and the perceived absolute and relative attractiveness of a security's valuation.

#### *Debt Securities (Fixed Income)*

Triad considers the financial strength of the debt issuer, call provisions, liquidity factors, and bond insurance in selecting bonds for purchase. Triad reviews prospectuses and other publicly available information, including credit ratings from Standard and Poor's and Moody's in determining the financial strength of an issuer.

#### *Concentrated Portfolios*

Triad manages client accounts by investing in a limited number of securities. Clients should consider the fact that the risk of a concentrated portfolio with limited diversification increases the possibility of substantial losses and depreciation of the portfolio in the event of an exogenous event, the concentrated stock or sector does not perform as expected, and/ or deteriorating economic or market circumstances domestically and/or internationally.

### *Investment Strategies for Managing Portfolios*

#### *Long-term Holding/Short-term Trading*

Triad does not attempt to time the market nor do we seek short-term gains. Short term buying and selling of securities is limited to those cases where a purchase has resulted in an unanticipated gain or loss in which we believe that a subsequent sale is in the best interest of the client.

### *Cash as a Strategic Asset*

Triad does not seek to time the market and strives to remain fully invested but may at times retain a large portion of client assets in cash or cash equivalents when a limited number of attractive investments are available. We maintain cash balances until suitable opportunities arise.

### **General Risk of Loss Statement**

Prior to entering into an agreement with Triad, the client should carefully consider:

1. That investing in securities involves risk of loss which clients should be prepared to bear;
2. That securities markets experience varying degrees of volatility;
3. That over time the client's assets may fluctuate and at any time be worth more or less than the amount invested; and
4. That clients should only commit assets that they feel are currently unneeded and available to Triad for investment on a long-term basis. This is typically a minimum of five to seven years.

### **Risks**

#### *General Risks of Owning Securities*

The prices of securities held in client accounts and the income they generate may decline in response to certain events taking place around the world. These include events directly involving the issuers of securities held in a client's account, conditions affecting the general economy, and overall market changes. Other contributing factors include local, regional, or global political, social, or economic instability and governmental or governmental agency responses to economic conditions. Finally, currency, interest rate, and commodity price fluctuations may also affect security prices and income.

The prices of, and the income generated by, most debt securities held by a client's account may be affected by changing interest rates and by changes in the effective maturities and credit ratings of these securities. For example, the prices of debt securities in the client's account generally will decline when interest rates rise and increase when interest rates fall. In addition, falling interest rates may cause an issuer to redeem, "call" or refinance a security before its stated maturity, which may result in Triad having to reinvest the proceeds in lower yielding securities.

Longer maturity debt securities generally have higher rates of interest and may be subject to greater price fluctuations than shorter maturity debt securities. Debt securities are also subject to credit risk, which is the possibility that the credit strength of an issuer will weaken and/or an issuer of a debt security will fail to make timely payments of principal or interest and the security will go into default. The guarantee of a security backed by the U.S. Treasury or the full faith and credit of the U.S. government only covers the timely payment of interest and principal when held to maturity. This means that the current market values for these securities will fluctuate with changes in interest rates.

Investments in securities issued by entities based outside the United States may be subject to increased levels of the risks described above. Currency fluctuations and controls, different accounting, auditing,

financial reporting, disclosure, regulatory and legal standards and practices could also affect investments in securities of foreign issuers.

### Equity Securities

Equity securities represent an ownership position in a company. Equity securities typically consist of common stocks. The prices of equity securities fluctuate based on, among other things, events specific to their issuers and market, economic and other conditions. There may be little trading in the secondary market for particular equity securities, which may adversely affect Triad's ability to dispose of such equity securities. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may decrease the value and/or liquidity of equity securities.

### Small Capitalization Equity Securities

Investing in smaller companies may pose additional risks as it is often more difficult to dispose of small company stocks, more difficult to obtain information about smaller companies, and the prices of their stocks may be more volatile than stocks of larger, more established companies. Clients should have a long-term perspective and, for example, be able to tolerate potentially sharp declines in value.

### Warrants and Rights

Triad may purchase warrants for client accounts, which may be issued together with bonds or preferred stocks. Warrants generally entitle the holder to buy a proportionate amount of common stock at a specified price, usually higher than the current market price. Warrants may carry an expiration date or exist in perpetuity. Rights are similar to warrants except that they normally entitle the holder to purchase common stock at a lower price than the current market price.

### Debt Securities (Bonds)

Issuers use debt securities to borrow money. Generally, issuers pay investors periodic interest and repay the amount borrowed either periodically during the life of the security and/or at maturity. Alternatively, investors can purchase other debt securities, such as zero coupon bonds, which do not pay current interest, but rather are priced at a discount from their face values and their values accrete over time to face value at maturity. The market prices of debt securities fluctuate depending on such factors as interest rates, credit quality, and maturity. In general, market prices of debt securities decline when interest rates rise and increase when interest rates fall. The longer the time to a bond's maturity, the greater its interest rate risk. Additional risks include issuer default risk which would reduce or eliminate interest payments and principal repayment, call provisions that could result in principal repayment prior to the bond stated maturity date, and liquidity risks, or the reduced ability to sell a bond prior to maturity. Triad attempts to mitigate these risks through issuer credit analysis to understand the bond issuer's ability to make interest and principal payments. Triad attempts to reduce call risk through the purchase of bonds with call protection where possible, and liquidity risks are managed through understanding the bond issue liquidity prior to purchase.

### High-Yield Debt

Lower rated debt securities generally have higher rates of interest and involve greater risk of default or price changes due to changes in the issuer's creditworthiness than higher rated debt securities. The market prices of these securities may fluctuate more than higher quality securities and may decline significantly in periods of general economic difficulty. Triad attempts to manage the risks associated with high-yield debt through analysis of the corporate issuer's business position, financial statements and liquidity analysis. In addition, there may be little trading in the secondary market for particular high-yield debt securities, which may make them more difficult to value or sell. Triad seeks a sufficiently higher prospective return from high-yield securities relative to investment-grade securities to offset the added risks of investing in high-yield bonds.

### Municipal Bonds

Municipal bonds are debt obligations generally issued to obtain funds for various public purposes, including the construction of public facilities. Municipal bonds pay a lower rate of return than most other types of bonds. However, because of a municipal bond's tax-favored status, investors should compare the relative after-tax return to the after-tax return of other bonds, depending on the investor's tax bracket. Investing in municipal bonds carries the same general risks as investing in bonds in general. Those risks include interest rate risk, reinvestment risk, inflation risk, market risk, call or redemption risk, credit risk, and liquidity and valuation risk. Investing in municipal bonds carries additional risks unique to these types of bonds, which may include:

#### Legislative Risk

Legislative risk includes the risk that a change in the tax code could affect the value of taxable or tax-exempt interest income.

#### Tax-Bracket Changes

Municipal bonds generate tax-free income, and therefore pay lower interest rates than taxable bonds. Investors who anticipate a significant drop in their marginal income-tax rate may benefit from the higher yield available from taxable bonds.

### Securities with Equity and Debt Characteristics

Triad may invest in securities for client accounts that have a combination of equity and debt characteristics. These securities may at times behave more like equity than debt or vice versa. Some types of convertible bonds, preferred stocks or other preferred securities automatically convert into common stocks or other securities at a stated conversion ratio and some may be subject to redemption at the option of the issuer at a predetermined price. These securities, prior to conversion, may pay a fixed rate of interest or a dividend. Because convertible securities have both debt and equity characteristics, their values vary in response to many factors, including the values of the securities into which they are convertible, general market and economic conditions, and convertible market valuations, as well as changes in interest rates, credit spreads and the credit quality of the issuer.

These securities may include hybrid securities, which also have equity and debt characteristics. Such securities are normally at the bottom of an issuer's debt capital structure. As such, they may be more sensitive to economic changes than more senior debt securities. Investors may also view these securities as more equity-like by the market when the issuer or its parent company experience financial problems.

The prices and yields of nonconvertible preferred securities or preferred stocks generally move with changes in interest rates and the issuer's credit quality, similar to the factors affecting debt securities.

### *Real Estate Investment Trusts*

Triad may invest for client accounts in securities issued by real estate investment trusts (REITs), which primarily invest in real estate or real estate-related loans. Equity REITs own real estate properties, while mortgage REITs hold construction, development and/or long-term mortgage loans. Changes in the value of the underlying property of the trusts, the creditworthiness of the issuer, property taxes, interest rates, tax laws, and regulatory requirements, such as those relating to the environment all can affect the values of REITs. Both types of REITs are dependent upon management skill, the cash flows generated by their holdings, the real estate market in general, and the possibility of failing to qualify for any applicable pass-through tax treatment or failing to maintain any applicable exemptive status afforded under relevant laws.

### *Exchange-Traded Funds (ETFs)*

An ETF is a type of Investment Company (usually, an open-end fund or unit investment trust) containing a basket of stocks. Typically, the objective of an ETF is to achieve the same return as a particular market index, including sector indexes. An ETF is similar to an index fund in that it will primarily invest in securities of companies that are included in a selected market. Unlike traditional mutual funds, which can only be redeemed at the end of a trading day, ETFs trade throughout the day on an exchange. Like stock mutual funds, the prices of the underlying securities and the overall market may affect ETF prices. Similarly, factors affecting a particular industry segment may affect ETF prices that track that particular sector.

### *American Depositary Receipts (ADRs)*

An ADR is a stock that trades in the United States but represents a specified number of shares in a foreign corporation. Investors buy and sell ADRs on American markets just like regular stocks. Banks and brokerage firms issue/sponsor ADRs. ADRs are subject to additional risks of investing in foreign securities, including, but not limited to, less complete financial information available about foreign issuers, less market liquidity, more market volatility, and political instability. In addition, currency exchange-rate fluctuations affect the U.S. dollar-value of foreign holdings. Some ADRs and ordinary shares of foreign securities pay dividends, and many foreign countries impose dividend withholding taxes up to 30%. Depending on a custodian's ability to reclaim any withheld foreign taxes on dividends, taxable accounts may be able to recoup a portion of these taxes by use of the foreign tax credit. However, tax-exempt accounts, to the extent they pay any foreign withholding taxes, may not be able to utilize the foreign tax credit. Therefore, investors may be unable to recover any foreign taxes withheld on dividends of foreign securities or ADRs.

### Cash and Cash Equivalents

Client accounts may hold cash or invest in cash equivalents, which are the most liquid of investments. Cash and cash equivalents are considered very low-risk investments meaning, there is little risk of losing the principal investment. Typically, low risk also means low return and the interest an investor can earn on this type of investment is low relative to other types of investing vehicles.

### Master Limited Partnerships (MLPs)

MLPs are publicly traded partnerships that trade mainly on the New York Stock Exchange and/or the NASDAQ, the same as stocks. With a few exceptions, MLPs hold and operate assets related to the transportation and storage of energy (certain MLPs may have commodity risk). Most publicly traded companies are corporations. Corporate earnings are usually taxed twice. The business entity is taxed on any money it makes and then shareholders are taxed on the earnings the company distributes to them. In the 1980s, Congress allowed public trading of certain types of companies as partnerships instead of as corporations.

The main advantage a partnership has over a corporation is that partnerships are “pass through” entities for tax purposes. This means that the company does not pay any tax on its earnings. Distributions are still taxed, but this avoids the problem of double taxation that most publicly traded companies face. Congress requires that any company designated as an MLP has to produce 90% of its earnings from “qualified resources” (natural resources and real estate). Most MLPs are involved in energy infrastructure, i.e. things like pipelines. MLPs are required to pay annual distributions to limited partners. A contract establishes the payments, so distributions are predictable. Otherwise, the shareholders could find the company in breach of contract.

In addition to general business risks, MLPs bear these risks:

#### Risk of Regulation or Change

The government could step in and change the rules of the game. That can always happen. Since one of the main advantages of these securities is their tax advantages, this poses a considerable risk for an investor.

#### Interest Rate Risk

It is commonly thought that these types of investments do better when interest rates are low, making their yield higher in relation to the safest investments, such as Treasury bills and securities that are guaranteed by the U.S. government. Consequently, MLPs may perform better during periods of declining or relative low interest rates and more poorly during periods of rising or high interest rates.

#### Tax Risk

MLPs are pass-through entities, passing earnings through to the limited partners. Investors must be aware that there are potentially significant tax implications of investing in MLPs and they should consult with their tax advisor before investing in these securities.

## ITEM 9 - DISCIPLINARY INFORMATION

Triad and our personnel seek to maintain the highest level of business professionalism, integrity, and ethics. Triad does not have any disciplinary information to disclose.

## ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Triad does not offer any other services or have any affiliates in the financial industry.

## ITEM 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

### Code of Ethics

Triad believes that we owe clients the highest level of trust and fair dealing. Further, as part of our fiduciary duty, we place the interests of our clients ahead of the interests of the firm and our personnel. Triad's personnel are required to conduct themselves with integrity at all times and follow the principles and policies detailed in our Code of Ethics.

Triad's Code of Ethics attempts to address specific conflicts of interest that either we have identified or that could likely arise. Triad's personnel are required to follow clear guidelines from the Code of Ethics in areas such as gifts and entertainment, other business activities, and adherence to applicable state and federal securities laws. All personnel receive a copy of each amendment of the Code of Ethics, which they acknowledge in writing. Additionally, individuals who make securities recommendations to clients, or who have access to nonpublic information regarding any clients' purchase or sale of securities are subject to personal trading policies governed by the Code of Ethics (see below).

Triad will provide a complete copy of the Code of Ethics to any client or prospective client upon request.

### Personal Trading Practices

Triad and our personnel may purchase or sell securities for themselves that we also recommend to clients. This includes related securities (e.g., warrants, options, or futures). This presents a potential conflict of interest as we may have an incentive to favor our personal trades over client transactions or use the information about the transactions we intend to make for clients to our personal benefit.

Our policies to address these conflicts include the following:

1. Triad prohibits trading in a manner that takes personal advantage of price movements caused by client transactions.
2. If we wish to purchase or sell the same security as we recommend or take action to purchase or sell for a client, we will not do so until the custodian fills client orders (except when we are aggregating personal and proprietary trades with client trades as disclosed under **Aggregation with Client Orders** below). Because of this policy, it is possible that clients will receive a better



or worse price than Triad or any employee for the same security on the same day as a client, or one or more days before or after the Client's transaction.

3. Conflicts of interest also may arise when Triad's personnel become aware of Limited Offerings or IPOs, including private placements or offerings of interests in limited partnerships or any thinly traded securities, whether public or private. Given the inherent potential for conflict, Limited Offerings and IPOs demand extreme care. We will provide the client the opportunity to act on such investments, to the extent they are appropriate for the client's risk and return objectives, prior to and in preference to Triad or our personnel.

Triad will provide a complete copy of the Code of Ethics to any client or prospective client upon request.

### *Ban on Short-Term Trading Profits*

All personal and proprietary transactions in securities also owned by clients or that we are considering for clients are subject to a 30-day ban on short-term trading profits except when selling at a loss or when we aggregate the transaction with client orders (see below).

### Aggregation with Client Orders

Triad may aggregate orders for clients in the same securities in an effort to seek best execution, negotiate more favorable commission rates, and/or allocate differences in prices, commissions, and other transaction costs equitably among our clients. These are benefits of aggregation orders that we might not obtain if we placed those orders independently.

Triad may aggregate trades in like securities among client accounts as well as with accounts of Triad and our personnel, if we follow the policies described below. This presents a potential conflict of interest as we may have an incentive to allocate more favorable executions to our own accounts or the accounts of our personnel.

Our policies to address this conflict are as follows:

1. We will disclose our aggregation policies in this brochure;
2. We will not aggregate transactions unless we believe that aggregation is consistent with our duty to seek best execution (which includes the duty to seek best price) for our clients. The trade also needs to be consistent with the terms of our investment advisory agreement with each client that has an account included in the aggregation;
3. No account will be favored over any other account. This includes accounts of Triad or any of our personnel. Each account in aggregated trade will participate at the average share price for all of our transactions in a given security on a given business day (per custodian).

4. Before entering an aggregated order, we will prepare a written statement (the "Allocation Statement") specifying the participating accounts and how we intend to allocate the order among those accounts;
5. If the aggregated order is filled entirely, we will allocate shares among clients according to the Allocation Statement; if the order is partially filled, we will allocate it pro-rata according to the Allocation Statement.
6. However, we may allocate the order differently than specified in the Allocation Statement if all client accounts receive fair and equitable treatment. (See also **Item 12 – Brokerage Practices** below.) In this case, we will explain the reasons for a different allocation in writing.
7. If an aggregated order is partially filled and we allocate it differently than the Allocation Statement specifies, no participating account may purchase or sell the security for a reasonable period following the execution of the block trade. This only applies when the participating account sells or receives more shares than it would have if the aggregated order been completely filled;
8. Our books and records will separately reflect each aggregated order and the securities held by, bought, and sold for each client account;
9. Funds and securities of clients participating in an aggregated order will be deposited with one or more qualified custodians. Clients' cash and securities will not be held collectively any longer than is necessary to settle the trade on a delivery versus payment basis. Following settlement, cash or securities held collectively for clients will be delivered out to the qualified custodian as soon as practical;
10. We do not receive additional compensation or remuneration of any kind as a result of aggregating orders; and
11. We will provide individual investment advice and treatment to each client's account.

## **Participation or Interest in Client Transactions**

The following items represent situations where a conflict of interest may exist between the client and Triad.

### *Cross Transactions*

At times, a client may need to sell a security that we think is a good fit for another client's account. In this case, we may internally cross the security from the account of the selling client to the buying client's account. We will only do this when the proposed transaction is in the best interests of both clients. We do not "dump" a security into a client's portfolio just because another client needs to sell, nor do we decide to sell a security from one client's account just because another client needs a similar security.

Usually, this situation comes up with fixed income securities where we can get a better deal for both clients by crossing the security instead of going into the open market to complete separate transactions.

The price for a cross transaction will be determined by available pricing from at least two bona fide registered broker-dealers, and is usually the mid-point between the best bid and offer prices available for the size of the transaction. We will also take into account any additional fees charged to cross the security to ensure that the transaction is still appropriate for both clients.

Triad does not act as broker for any cross transactions effected for clients, and will never receive any commissions or other compensation for these trades (other than our normal advisory fees for managing the accounts).

## **ITEM 12 - BROKERAGE PRACTICES**

### **Factors Considered in Selecting Broker-Dealers for Client Transactions**

Triad requires clients to open one or more custodian accounts in their own name at a qualified custodian. For clients in need of brokerage or custodial services, Triad requires the use of Fidelity Institutional Wealth Services, a division of Fidelity Brokerage Services, Inc. ("Fidelity"), registered broker-dealer, Member SIPC. The client will enter into a separate agreement with the broker-dealer/custodian to custody the assets. Triad is independently owned and operated, and unaffiliated with any broker-dealer/custodian.

Fidelity may charge commissions (ticket charges) for executing our transactions. We do not receive any part of these separate charges. We require that clients establish accounts with Fidelity to maintain custody of clients' assets and to effect trades for their accounts. Fidelity may provide us with access to their institutional trading and custody services, which are typically not available to Fidelity retail investors. Fidelity's services include brokerage custody, trading platforms and related services, research and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment. Fidelity does not charge clients separately for custody, but Fidelity receives compensation from account holders through commissions, other transaction-related fees, and/or securities trades executed through Fidelity or that settle into Fidelity.

Triad considers several factors in recommending Fidelity to clients. Factors that we may consider include ease of use, reputation, trade execution, pricing, dedicated service team, and financial strength. Triad may also take into consideration the availability of the products and services received or offered (detailed below) by Fidelity.

#### **Research and Other Benefits**

Fidelity makes available to us other products and services that may benefit Triad but may not directly benefit our clients' accounts. These types of services will help us in managing and administering client accounts. These include software and other technology that provide access to client account data (i.e.

trade confirmations and account statements); facilitate trade executions; provide research, pricing information, and other market data; facilitate in the payment of our fees from clients' accounts; and assist with back-office functions, record keeping, and client reporting. Many of these services may be used to service all or a substantial number of our accounts.

We place trades for our clients' accounts subject to our duty to seek best execution and other fiduciary duties. We may use broker-dealers other than Fidelity to execute trades for client accounts maintained at Fidelity, but this practice may result in additional costs to clients so that we are more likely to place trades through Fidelity rather than other broker-dealers. Fidelity's execution quality may be different from other broker-dealers.

Fidelity may also provide other benefits such as educational events, conferences on practice management, regulatory compliance, information technology, and business success. Fidelity may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third party providing these services to Triad.

As part of our fiduciary duties to clients, Triad endeavors at all times to put the interests of our clients first. Clients should be aware, however, that the receipt of economic benefits by Triad or our personnel in and of itself creates a potential conflict of interest and may indirectly influence Triad's recommendation of Fidelity for custody and brokerage services.

### *Brokerage for Client Referrals*

Triad does not receive client referrals from any broker-dealer or third party in exchange for using that broker-dealer or third party.

### *Directed Brokerage*

Generally, Triad will not allow clients to direct us to use a specific broker-dealer to execute transactions and clients must use the broker-dealer that Triad recommends. Not all investment advisers require their clients to direct brokerage. By requiring clients to use Fidelity, Triad believes we may be able to more effectively manage the client's portfolio, achieve favorable execution of client transactions, and overall lower the costs to the portfolio. We may make rare exceptions to this policy at our discretion.

## **Aggregation and Allocation of Transactions**

In some cases, Triad will recommend the purchase or sale of the same security for multiple clients at the same time. In those cases, Triad may combine purchase and sale orders for all clients with the same order. Triad will generally allocate the proceeds arising out of those transactions (and the related transactions expenses) on an average price basis among the various participants in the transactions. Triad believes that by combining orders in this way it will be advantageous to all participants. However, the average price could be less advantageous to a particular client than if that client had been the only account effecting the transaction or had completed its transaction before the other participants.

Triad may also place orders for the same security for different clients at different times and in different relative amounts due to, among other things, differences in investment objectives, cash availability, size of order, and practicability of participating in “block” transactions. The level of participation by different clients in the same security may also be dependent upon other factors relating to the suitability of the security for the particular client. There are circumstances when some of a client’s transactions in the security may not be aggregated with other clients. Triad has adopted policies and procedures intended to ensure that our trading allocations are fair to all of our clients.

In addition, Triad and/or our personnel may buy or sell specific securities for our own accounts that are not deemed appropriate for another client at the time, based on personal investment considerations that differ from the considerations on which decisions as to investments for the client are made. Where execution opportunities for a particular security are limited, Triad attempts in good faith to allocate such opportunities among clients in a manner that, over time, is equitable to all our clients.

We describe our aggregation practices in detail under ***Item 11 - Aggregation with Client Orders*** above.

## **ITEM 13 - REVIEW OF ACCOUNTS**

### **Managed Account Reviews**

Triad monitors securities in client accounts continuously. Typically, we also review cash balances and asset allocations at least weekly and often daily. Material market, economic, or political events, changes in a client’s individual circumstances may trigger additional reviews. John Heldman, Managing Member, performs all reviews and generally meets with each client at least annually.

### **Account Reporting**

Each client receives a written statement from the broker-dealer/custodian that includes an accounting of all holdings and transactions in the account for the reporting period. In addition, Triad provides a review letter and account report on a quarterly basis. Review letters typically include a review of the investment environment and economic outlook. Account reports include a summary of the client’s holdings and account performance. Triad may also provide additional reporting as agreed upon by Triad and the client on a case-by-case basis.

## **ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION**

Triad does not make client referrals to or receive client referrals from any outside professionals.

## **ITEM 15 - CUSTODY**

Triad has limited custody of some of our clients’ funds or securities when the clients authorize us to deduct our management fees directly from the client’s account. A qualified custodian (generally a broker-dealer, bank, trust company, or other financial institution) holds clients’ funds and securities. Clients will receive statements directly from your qualified custodian at least quarterly. The statements

will reflect the client's funds and securities held with the qualified custodian as well as any transactions that occurred in the account, including the deduction of Triad's fee.

Clients should carefully review the account statements you receive from your qualified custodian. When clients receive statements from Triad as well as from the qualified custodian, clients should compare these two reports carefully. Minor discrepancies between custodian statements and Triad statements are common. Triad uses trade date for transactions while custodians generally use settlement date. In addition, custodians occasionally use a different bond pricing service than Triad, which can result in minor price differences. Clients with any questions about your statements should contact us at the address or phone number on the cover of this brochure. Clients who do not receive their statement from your qualified custodian at least quarterly should also notify us.

## ITEM 16 - INVESTMENT DISCRETION

Triad has full discretion to decide the specific security to trade, the quantity, and the timing of transactions for client accounts. Triad will not contact clients before placing trades in their account, but clients will receive confirmations directly from the broker for any trades placed. Clients grant us discretionary authority in the contracts they sign with us. Clients also give us trading authority over their accounts when they sign the custodian paperwork.

However, certain client-imposed conditions may limit Triad's discretionary authority, such as where the client prohibits transactions in specific security types or directs Triad to execute transactions through specific broker-dealers. See also ***Item 4 - Tailored Services and Client Imposed Restrictions*** and ***Item – 12 Brokerage Practices***, above.

## ITEM 17 - VOTING CLIENT SECURITIES

### Proxy Voting

Triad will vote client account proxies unless client retains authority to vote or client appoints another fiduciary to vote.. When Triad accepts such responsibility, we will only cast proxy votes in a manner consistent with the best interest of our clients. Absent special circumstances, which we fully describe in our Proxy Voting Policies and Procedures, we will vote all proxies within the guidelines we established and describe in our Proxy Voting Policies and Procedures, as we may amend from time-to-time. At any time, clients may contact us to request information about how we voted your proxies for your securities or to get a copy of our Proxy Voting Policies and Procedures.

A brief summary of Triad's Proxy Voting Policies and Procedures is as follows:

Triad subscribes to the services of Egan-Jones Proxy Services, an unaffiliated third-party proxy vendor that provides written vote recommendations/guidelines and administrative and record-keeping assistance. We created our Proxy Voting Guidelines taking into consideration Egan-Jones written guidelines.

We apply the Proxy Voting Guidelines with a measure of flexibility. Further, we may vote a proxy contrary to the Proxy Voting Guidelines if we determine that the action is in the best interests of the clients/beneficiaries. Moreover, special circumstances or instructions from clients may also justify casting different votes for different clients/beneficiaries with respect to the same proxy vote. In exercising our voting discretion, we may take into account a wide array of factors relating to the matter under consideration, the nature of the proposal, and the company involved. Similarly, poor past performance, uncertainties about management and future directions, and other factors may lead to a conclusion that particular proposals by an issuer present unacceptable investment risks and should not be supported.

Triad may occasionally be subject to conflicts of interest in the voting of proxies due to business or personal relationships it maintains with persons having an interest in the outcome of certain votes. If we become aware of any type of potential or actual conflict of interest relating to a particular proxy proposal, we will promptly document and handle the conflict as follows:

1. Where the Proxy Voting Guidelines outline our voting position, either “for” or “against” the proxy proposal, voting will be in accordance with our Proxy Voting Guidelines.
2. Where the Proxy Voting Guidelines outline our voting position to be determined on a “case by case” basis for the proxy proposal, or the proposal is not listed in the Proxy Voting Guidelines, then we will select one of the two following methods depending upon the facts and circumstances of each situation and the requirements of applicable law:
  - a. Voting the proxy in accordance with the voting recommendation of a non-affiliated-third party vendor; or
  - b. Voting the proxy according to the client’s direction.

We may choose not to vote proxies in certain situations or for certain accounts:

1. Where a client has informed us that he or she wishes to retain the right to vote the proxy, we will instruct the custodian to send the proxy material directly to the client;
2. Where we believe that the cost of voting would exceed any anticipated benefit to the client;
3. Where we receive a proxy for a terminated client account, we will notify the custodian and request that the custodian send current and future proxy materials to the account address of record.
4. Where a proxy is received for a security that we no longer manage (e.g., we previously sold the entire position); and/or
5. Where the exercise of voting rights could restrict our ability to freely trade the security in question (e.g., in certain foreign jurisdictions known as “blocking markets”).

### *Class Actions*

Triad does not instruct or give advice to clients on whether or not to participate as a member of class action lawsuits and will not automatically file claims on the client’s behalf. However, if a client notifies us

that they wish to participate in a class action, we will provide the client with any transaction information pertaining to the client's account needed for the client to file a proof of claim in a class action.

## **ITEM 18 - FINANCIAL INFORMATION**

Registered investment advisers are required in this item to provide clients with certain financial information or disclosures about the firm's financial condition. Triad does not require the prepayment of more than \$1,200 in fees per client, six months or more in advance, and does not foresee any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients.



# **Form ADV, Part 2B Brochure Supplement**

**John Heldman, CFA**

**Triad Investment Management, LLC**

1301 Dove Street  
Suite 1080  
Newport Beach, CA 92660  
(949) 851-7902

**November 1, 2012**

This brochure supplement provides information about John Heldman that supplements the Triad Investment Management, LLC brochure. You should have already received a copy of that brochure. Please contact John Heldman if you did not receive our brochure or if you have any questions about the contents of this supplement.

Additional information about John Heldman is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## ITEM 2 - EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE

**John E. Heldman**, Managing Member, b. 1958

### *Education:*

- B.S., Finance, California State University, Long Beach, 1984
- MBA, California State University, Long Beach, 1987
- Chartered Financial Analyst, CFA Institute, 1989

### *Business Background:*

John Heldman is the Managing Member and Chief Compliance Officer for Triad. Prior to founding Triad, John served as a Senior Vice President and Portfolio Manager for Neuberger Berman, LLC in Newport Beach for three years. Prior to that, beginning in June of 1999, he worked for Scudder Investor Services, Inc., which was acquired by Deutsche Bank. He was both a registered representative of Deutsche Bank Securities, Inc. and a Vice President and Portfolio Manager when he departed in November 2004. In September 1988, John was employed by Security Pacific Bank, which was acquired by Bank of America. John left Bank of America in June 1999 and was a Vice President and Portfolio Manager at that time.

### Professional Designations

#### *Chartered Financial Analyst*

The Chartered Financial Analyst (“CFA”) designation is sponsored by CFA Institute. To earn a CFA charter, candidates must have four years of qualified investment work experience, become a member of CFA Institute, pledge to adhere to the CFA Institute Code of Ethics and Standards of Professional Conduct on an annual basis, apply for membership to a local CFA member society, and complete the CFA Program. The CFA Program is organized into three levels, each culminating in a six-hour exam. The three proctored course exams correspond to three 250-hour self-study levels. Completing the Program takes most candidates between two and five years. More information regarding the CFA is available at <https://www.cfainstitute.org>.

## ITEM 3 - DISCIPLINARY INFORMATION

John Heldman has no disciplinary history to disclose.

## ITEM 4 - OTHER BUSINESS ACTIVITIES

John Heldman’s only business is providing investment advice through Triad.

## ITEM 5 - ADDITIONAL COMPENSATION

John Heldman’s only compensation comes from his regular salary and ownership of Triad.

## ITEM 6 - SUPERVISION

John Heldman is Triad’s only employee and not supervised by any other individual.

## **Client Privacy Notice**

Your relationship with Triad Investment Management, LLC is based on trust and confidence. To fulfill its responsibilities to you, Triad Investment Management, LLC requires that you provide current and accurate financial and personal information. Triad Investment Management, LLC will protect the information you have provided in a manner that is safe, secure, and professional. Triad Investment Management, LLC and its employees are committed to protecting your privacy and to safeguarding that information.

### **Categories of Information We Collect**

We may collect the following kinds of confidential personal information about you:

- Information we receive from you on applications or other forms, such as your name, address, phone number, social security number, occupation, assets, income and other financial and family information;
- Information about your transactions with us or with brokerages, banks, and custodians with whom you hold investment or cash accounts. This information includes account numbers, holdings, balances, transaction history, and other financial and investment activities.

### **Sharing Nonpublic Personal and Financial Information**

Triad Investment Management, LLC is committed to the protection and privacy of its customer's and consumer's personal and financial information. Triad Investment Management, LLC will not share such information with any third party except:

- When necessary to complete a transaction in the account, such as with the clearing firm or account custodians;
- When required to maintain or service the account;
- To resolve customer disputes;
- When requested by a fiduciary or beneficiary on the account;
- To our attorneys, accountants, or regulatory consultants;
- When required by a regulatory agency, or for other reasons required or permitted by law;
- In connection with a sale or merger of Triad Investment Management, LLC's business;
- In any circumstance that has the customer's instruction or consent.

### **Protection of Personal Information**

We restrict access to your personal and account information to those employees who need to know that information to provide products or services to you. We maintain physical, electronic, and procedural safeguards to guard your personal information.