

# **Irvington Capital, LLC**

SEC File Number: 801 – 69098

## **Irvington Capital, LLC**

### **Brochure**

### **Dated 3/27/2012**

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**This brochure provides information about the qualifications and business practices of Irvington Capital, LLC. If you have any questions about the contents of this brochure, please contact us at (503) 477-5816 or [melfers@irvingtoncapital.com](mailto:melfers@irvingtoncapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about Irvington Capital, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**References herein to Irvington Capital, LLC as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.**

## **Item 2           Material Changes**

There have been no material changes made to Irvington Capital, LLC's disclosure statement since last year's Annual Amendment filing on March 30, 2011.

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

- A. Irvington Capital, LLC (the “Registrant”) is a limited liability company formed on March 31, 2008 in the State of Oregon. The Registrant became registered as an Investment Adviser Firm in April 2008. The Registrant is owned by Michael S. Elfers. Mr. Elfers is the Registrant’s Managing Member.
  
- B. As discussed below, the Registrant offers to its clients (individuals, business entities, trusts, estates and charitable organizations, etc.) investment advisory services. Investment advisory services delivered to clients primarily through membership interests in IronGate Global Alpha Fund, LLC. and IronGate Absolute Return Fund, LP, two unregistered hedge funds of funds offered exclusively to accredited investors.

In specific circumstances, investment advisory services may differ with certain clients.

#### **MISCELLANEOUS**

**Limited Consulting/Implementation Services.** Although the Registrant does not hold itself out as providing financial planning, estate planning or accounting services, to the extent specifically requested by the client, the Registrant *may* provide limited consultation services to its investment management clients on investment and non-investment related matters, such as estate planning, tax planning, insurance, etc. Registrant shall not receive any separate or additional fee for any such consultation services. Neither the Registrant, nor any of its representatives, serves as an attorney, accountant, or licensed insurance agent, and no portion of the Registrant’s services should be construed as same. To the extent requested by a client, the Registrant may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** It remains the client’s responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant’s previous recommendations and/or services.

**Absolute Return Fund, L.P and Irongate Global Alpha Fund, LLC.** The Registrant also serves as the investment manager to the Irongate Absolute Return Fund, L.P. and Irongate Global Alpha Fund, LLC, (the “*Funds*”). A complete description of the *Funds*, their strategies, objectives, and costs are set forth in each of the *Fund*’s prospectuses, copies of which are available from the Registrant upon request. As investment manager to the *Funds*, Registrant shall have discretionary authority for the management of each *Funds*’ assets. The Registrant may recommend, on a non-discretionary basis, that qualified clients allocate a portion of their investment assets to one or both of the *Funds*. Irongate Absolute Return Fund L.P. and Irongate Global Alpha Fund, LLC will pay the

Registrant an annual advisory fee of 1.50% of assets under management. Both annual advisory fees shall be prorated and paid monthly. Additionally, the Registrant *may* receive performance compensation in connection with its management of the *Funds*.

**Private Investment Funds.** Registrant offers advice on private investment funds, including its affiliated private investment funds, Irongate Absolute Return Fund, L.P. and Irongate Global Alpha Fund, LLC and funds investing in hedged positions. If the Client determines to invest in a private investment fund recommended by the Registrant, the Registrant may receive an additional fee separate from the fee based on assets under management.

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

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

**Trade Error Policy.** Registrant shall reimburse accounts for losses resulting from the Registrant's trade errors, but shall not credit accounts for such errors resulting in market gains. The gains and losses are reconciled within the Registrant's custodian firm account and Registrant retains the net gains and losses.

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

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

- C. The Registrant shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, the Registrant shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at anytime, impose reasonable restrictions, in writing, on the Registrant's services.
- D. The Registrant does not participate in a wrap fee program.
- E. As of December 31, 2011, the Registrant had \$69,800,000 in assets under management on a discretionary basis.

## **Item 5 Fees and Compensation**

- A. As set forth in 4B above, the Registrant serves as the investment manager to the Irongate Absolute Return Fund, L.P. and Irongate Global Alpha Fund, LLC, (the "*Funds*"). The Registrant may recommend, on a non-discretionary basis, that qualified clients allocate a portion of their investment assets to one or both of the *Funds*. Irongate Absolute Return Fund L.P. and Irongate Global Alpha Fund, LLC will pay the Registrant an annual advisory fee of 1.50% of assets under management. Annual advisory fees shall be prorated and paid monthly. Additionally, the Registrant *may* receive performance compensation in connection with its management of the *Funds*. (See Item 6. Performance-Based Fees and Side-by-Side Management)
- B. Clients may elect to have the Registrant's advisory fees deducted from their custodial account. Both Registrant's *Investment Advisory Agreement* and the custodial/ clearing agreement may authorize the custodian to debit the account for the amount of the Registrant's investment advisory fee and to directly remit that management fee to the Registrant in compliance with regulatory procedures. In the limited event that the Registrant bills the client directly, payment is due upon receipt of the Registrant's invoice. The Registrant shall deduct fees and/or bill clients monthly in advance, based upon the market value of the assets on the last business day of the previous quarter.
- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, the Registrant shall generally recommend that TD Ameritrade ("*Ameritrade*") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Ameritrade* charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). In addition to Registrant's investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses). When beneficial to the client, individual debt and/or equity transactions may be effected through broker-dealers with whom Registrant and/or the client have entered into arrangements for prime brokerage clearing services, including effecting certain client transactions through *Ameritrade*, or other various SEC registered and FINRA member broker-dealers (in which event, the

client shall incur both the transaction fee charged by the executing broker-dealer and a “tradeaway” fee charged by *Ameritrade*).

- D. Registrant's annual investment advisory fee shall be prorated and paid monthly, in advance, based upon the market value of the assets on the last business day of the previous quarter. The Registrant does not generally require an annual minimum fee or asset level for investment advisory services. However, Registrant, in its sole discretion, may charge a lesser investment 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, negotiations with client, etc.).

The *Investment Advisory Agreement* between the Registrant and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, the Registrant shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter.

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

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

As set forth in 4B above, the Registrant also serves as the investment manager to the Irongate Absolute Return Fund, L.P. and Irongate Global Alpha Fund, LLC, (the “*Funds*”). The Registrant may recommend, on a non-discretionary basis, that qualified clients allocate a portion of their investment assets to one or both of the *Funds*. Irongate Absolute Return Fund L.P. and Irongate Global Alpha Fund, LLC will pay the Registrant an annual advisory fee of 1.50% of assets under management. Annual advisory fees shall be prorated and paid monthly. Additionally, the Registrant *may* receive performance compensation in connection with its management of the *Funds*.

- **Conflict of Interest:** The recommendation by Registrant that a client purchase an interest in the *Funds* presents a ***conflict of interest***, as Registrant’s interest in the *Funds* may provide an incentive to recommend investment in the *Funds* based on funds received, rather than on a particular client’s need. No client is under any obligation to invest in the *Funds*. **The Registrant’s Chief Compliance Officer, Michael Elfers, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

**Please Note-Combined Fee:** Because of the *Funds*’ relationship to the Registrant, a **conflict of interest** is presented because: (1) a portion the fees will be payable to the Registrant for its investment management services; **and** (2) the **combined** investment management fee to be received by the Registrant from the *Funds* **and** as part of assets under management will generally higher than it currently charges to clients under the fee schedule as set forth above at Item 5.A of this *Brochure*. The combination of the investment management fee that will be received by the Registrant for the management of the *Funds* and the separate partial investment advisory fee that the client will pay as part of assets under management will cumulatively be **less than or**

the same as the combined fee-not more. Given that the Registrant is the *Funds'* investment manager, the Registrant will retain a greater portion of this combined fee than if it outsourced the investment management function to a third party.

- **Conflict of Interest:** Because Registrant and its representatives manage client accounts that charge both an asset-based fee and/or a performance based fee, this arrangement creates a **conflict of interest**, as Registrant and its representatives have an incentive to favor investments where Registrant receives both an asset-based fee and a performance fee. **The Registrant's Chief Compliance Officer, Michael Elfers, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

## **Item 7           Types of Clients**

The Registrant's clients shall generally include accredited investors, as defined in Regulation D as promulgated under the Securities Act of 1933, as amended. These clients may include individuals, business entities, trusts, estates and charitable organizations. The Registrant does not generally require an annual minimum fee or asset level for investment advisory services. However, Registrant, in its sole discretion, may charge a lesser investment 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, negotiations with client, etc.).

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

- A. The Registrant may utilize the following methods of security analysis:
- **Fundamental** - (analysis performed on historical and present data, with the goal of making financial forecasts)
  - **Technical** – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)

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

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

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

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

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

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

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

Short selling is an investment strategy with a high level of inherent risk. Short selling, involves the selling of assets that the investor does not own. The investor borrows the assets from a third party lender (i.e. Broker-Dealer) with the obligation of buying identical assets at a later date to return to the third party lender. Individuals who engage in this activity shall only profit from a decline in the price of the assets between the original date of sale and the date of repurchase. Conversely, the short seller will incur a loss if the price of the assets rises. Other costs of shorting may include a fee for borrowing the assets and payment of any dividends paid on the borrowed assets.

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



Accordingly, the decision as to whether to employ margin is left totally to the discretion of client.

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

- C. Currently, the Registrant primarily allocates client investment assets among various individual equity and fixed income securities and mutual funds, on a discretionary basis, in accordance with the client's designated investment objective(s).

## **Item 9            Disciplinary Information**

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

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

- A. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C.
  - 2. **Private Investment Funds.** As disclosed above, the Registrant is affiliated with Irongate Absolute Return Fund, L.P. and Irongate Global Alpha Fund, LLC (the "*Funds*")- private investment funds whose objective is to provide investors with an above long-term rate of return with less volatility than is typical for direct investments in equity markets by investing in a diverse portfolio of alternative investment strategies and vehicles. The Registrant may recommend, on a non-discretionary basis, that qualified clients allocate a portion of their investment assets to the *Fund*. To the extent that Registrant's individual advisory clients qualify, and determine that an investment is appropriate given their investment objective(s) and financial situation, they may participate as limited partners of either one or both of the *Funds*. The terms and conditions for participation in the *Funds* are set forth in each of the *Funds*'

offering documents (discussing fees-including fees payable to the General Partner and the sub-managers engaged to manage Fund assets, conflicts of interest, risk factors, and liquidity constraints), which each prospective investor client shall receive, and shall be required to complete and submit the corresponding Subscription Agreement to the General Partner in order to demonstrate qualification for investment in either of the *Funds*.

- **Conflict of Interest:** The recommendation by Registrant that a client purchase an interest in the *Funds* presents a ***conflict of interest***, as Registrant's interest in the *Funds* may provide an incentive to recommend investment in the *Funds* based on funds received, rather than on a particular client's need. No client is under any obligation to invest in the *Funds*. **The Registrant's Chief Compliance Officer, Michael Elfers, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

**Please Note-Combined Fee:** Because of the *Funds*' relationship to the Registrant, a **conflict of interest** is presented because: (1) a portion the fees will be payable to the Registrant for its investment management services; **and** (2) the **combined** investment management fee to be received by the Registrant from the *Funds* **and** as part of assets under management will generally higher than it currently charges to clients under the fee schedule as set forth above at 5 A of this *Brochure*. The combination of the investment management fee that will be received by the Registrant for the management of the *Funds* and the separate partial investment advisory fee that the client will pay as part of assets under management will cumulatively be **less than or the same as** the **combined** fee-not more. Given that the Registrant is the *Funds*' investment manager, the Registrant will retain a greater portion of this combined fee than if it outsourced the investment management function to a third party.

- **Conflict of Interest:** The recommendation by Registrant that a client purchase an interest in the *Funds* presents a ***conflict of interest***, as Registrant's interest in the *Funds* may provide an incentive to recommend investment in the *Funds* based on funds received, rather than on a particular client's need. No client is under any obligation to invest in the *Funds*. **The Registrant's Chief Compliance Officer, Michael Elfers, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

- D. The Registrant does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

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

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

In accordance with Section 204A of the Investment Advisers Act of 1940, the Registrant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Registrant or any person associated with the Registrant.

- B. As disclosed above, the Registrant is affiliated with Irongate Absolute Return Fund, L.P. and Irongate Global Alpha Fund, LLC (the “*Funds*”)- private investment funds whose objective is to provide investors with an above long-term rate of return with less volatility than is typical for direct investments in equity markets by investing in a diverse portfolio of alternative investment strategies and vehicles. The Registrant may recommend, on a non-discretionary basis, that qualified clients allocate a portion of their investment assets to the *Fund*. To the extent that Registrant’s individual advisory clients qualify, and determine that an investment is appropriate given their investment objective(s) and financial situation, they may participate as limited partners of either one or both of the *Funds*. The terms and conditions for participation in the *Funds* are set forth in each of the *Funds*’ offering documents (discussing fees-including fees payable to the General Partner and the sub-managers engaged to manage Fund assets, conflicts of interest, risk factors, and liquidity constraints), which each prospective investor client shall receive, and shall be required to complete and submit the corresponding Subscription Agreement to the General Partner in order to demonstrate qualification for investment in either of the *Funds*.

- **Conflict of Interest:** The recommendation by Registrant that a client purchase an interest in the *Funds* presents a ***conflict of interest***, as Registrant’s interest in the *Funds* may provide an incentive to recommend investment in the *Funds* based on funds received, rather than on a particular client’s need. No client is under any obligation to invest in the *Funds*. **The Registrant’s Chief Compliance Officer, Michael Elfers, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

- C. The Registrant and/or representatives of the Registrant *may* buy or sell securities that are also recommended to clients. This practice may create a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as “scalping” (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if the Registrant did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, “front-running” (i.e., personal trades executed prior to those of the Registrant’s clients) and other potentially abusive practices.

The Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Registrant’s “Access Persons”. The Registrant’s securities transaction policy requires that an Access Person of the Registrant must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person’s

current securities holdings at least once each twelve (12) month period thereafter on a date the Registrant selects; provided, however that at any time that the Registrant has only one Access Person, he or she shall not be required to submit any securities report described above.

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

## **Item 12 Brokerage Practices**

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

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

### **1. Research and Additional Benefits**

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Registrant may receive from *Ameritrade* (or another broker-dealer/custodian) without cost (and/or at a discount) support services and/or products, certain of which assist the Registrant to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by the Registrant may be

investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Registrant in furtherance of its investment advisory business operations.

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

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

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

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

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

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

- B. To the extent that the Registrant provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless

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

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

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

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

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

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

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

- B. The Registrant does not compensate, directly or indirectly, any person, other than its representatives, for client referrals.

## **Item 15 Custody**

The Registrant shall have the ability to have its advisory fee for each client debited by the custodian on a monthly basis. Clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. Those clients to whom Registrant provides investment supervisory services may also receive a periodic report from the Registrant summarizing account activity and performance.

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

## **Item 16 Investment Discretion**

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

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

## **Item 17 Voting Client Securities**

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

**Item 18      Financial Information**

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

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