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03/28/12

**FORM ADV PART 2A  
BROCHURE**

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Form ADV, Part 2; our "Disclosure Brochure" or "Brochure" as required by the Investment Advisers Act of 1940 is a very important document between our clients and Arin Risk Advisors LLC. We are a registered investment adviser with the Securities and Exchange Commission. Our registration as an Investment Adviser does not imply any level of skill or training. The oral and written communications we provide to you, including this Brochure, serve as information you use to evaluate us (and other advisers), and factor in to your decision either to hire us or uphold the maintenance of a mutually beneficial relationship.

*This brochure provides information about the qualifications and business practices of Arin Risk Advisors, LLC. If you have any questions about the contents of this brochure, please contact Lawrence Lempert, Chief Compliance Officer at 610-822-3402, or [llempert@arinllc.com](mailto:llempert@arinllc.com).*

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any State Securities Authority.

Additional information about Arin Risk Advisors, LLC is available at the SEC's website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) (click on the link, select "Investment Adviser Firm search" and type in "Arin"). Results will provide you both Part 1 and 2 of the Arin Risk Advisors LLC Form ADV.

If you would like another copy of this Brochure, please download it from the SEC Website as indicated above or you may contact our Chief Compliance Officer, Lawrence Lempert at 610-822-3402 or [llempert@arinllc.com](mailto:llempert@arinllc.com).

## Item 2 Material Changes

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Generally, Arin Risk Advisors LLC will notify clients of material changes on an annual basis. However, where we determine that an interim notification is either meaningful or required, we will notify our clients promptly. In either case, we will notify our clients in a separate document.

If you would like another copy of this brochure, please download it from the SEC website as indicated above or you may contact our Chief Compliance Officer, Lawrence Lempert at 610-822-3402 or [llempert@arinllc.com](mailto:llempert@arinllc.com)

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## Item 4 Advisory Business

### Firm Background

Arin Risk Advisors, LLC ("Arin") is based in Conshohocken, Pennsylvania. Arin Risk Advisors, LLC was organized as a limited liability company under the laws of Delaware in 2009. In April 2010, Arin Holdings, LLC acquired Arin Risk Advisors, LLC. At the time of the acquisition, the ownership structure of Arin Holdings, LLC matched Arin Risk Advisors, LLC. Subsequent events resulted in ownership changes of Arin Holdings, LLC.

### Ownership Structure

The owners of Arin Holdings, LLC now include:

Beneficial Owner	Title	% Ownership
Joseph DeSipio	Managing Member	40.86%
Lawrence Lempert	Managing Member	40.86%
Joseph Leska	Trader	5.00%
Chad Levine	Trader	5.02%
John Roman	Marketing Director	5.00%
Others (3)		3.15%

Arin Risk Advisors, LLC remains 100% owned by Arin Holdings, LLC.

### Assets Under Management

As of March 31, 2012, we manage \$222,284,959 in client assets on a discretionary basis. We do not manage any accounts on a non-discretionary basis.

### Description of Services and Fees

We have been providing investment advisory services since 2009. These investment advisory services primarily include volatility and general portfolio management.

We focus on enhancing relative returns, protecting assets, and replacing risk exposures. We typically personalize the level of service for each client. We offer certain model portfolios that allow us to allocate trades across any number of accounts, usually based upon each account's Net Liquidation Value. This activity accommodates trade implementation for a group of accounts that follow an identical or similar objective. Under this model portfolio approach, your assets remain in your name and in your separately owned account.

Please refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to your individual needs. As used in this brochure, the words "we", "our" and "us" refer to Arin Risk Advisors, LLC and the words "you", "your" and "client" refer to you as either a client or prospective client of our firm. Also, you may see the term Associated Person or Investment Adviser Representative throughout this Brochure. As used in this Brochure, our Associated Persons or Investment Adviser Representatives are our firm's officers, employees, and all individuals providing investment advice on behalf of our firm.

We also do business as Whitford Advisors Services ("WAS"). WAS is a different brand that follows the same client engagement rules as Arin. WAS is expected to emphasize selection of other advisers and non-discretionary account management.

**Investment Management Services**

You may elect to retain Arin to provide customized portfolio management services or you may choose to have us manage accounts in accordance with one of our existing model portfolios or any combination of these two approaches.

We provide investment management services on either a discretionary or non-discretionary basis, depending upon your individual needs. We assess your individual needs before you enter into an investment advisory contract with us, and we determine the investment objectives of your portfolio(s) based on such needs. In establishing your investment objectives, we may allow you to impose restrictions on investing in certain securities or industries and other investing restrictions or limitations.

Once we construct an investment portfolio for you, or select a model portfolio, we will monitor your portfolio's performance on an ongoing basis, and will rebalance the portfolio as required by changes in market conditions and in your financial circumstances. For us to be most effective, we ask that you promptly inform us of any meaningful changes (e.g. job status, marital status, dependency status, litigation, or other potential assets or liabilities) to the information you provided.

If you participate in our discretionary investment management services, we require you to grant our firm discretionary authority to manage your account. Discretionary authorization will allow our firm to determine the specific securities and the amount of securities, to be purchased or sold for your account as well as the broker-dealer to be used and the commission rates to be paid without your approval prior to each transaction. Discretionary authority is typically granted by the investment advisory agreement you sign with our firm or trading authorization forms. You may limit our discretionary authority (for example, limiting the types of securities that can be purchased or strategies that can be employed for your account) by providing our firm with your restrictions and guidelines in writing. If you enter into non-discretionary arrangements with our firm, we must obtain your approval prior to executing any transactions on behalf of your account.

We usually charge for our investment advisory services through a percentage of assets under management method. Below, we have outlined our standard investment management fees for each type of investment mandate. Unless otherwise noted, the standard fees described below do not include such items as brokerage commissions, transaction charges, transfer taxes, exchange fees, electronic fund and wire transfer fees, or charges, taxes, or fees mandated by any federal, state, or other applicable law or regulation.

**Investment Consulting Services**

We offer limited investment consulting services which primarily involve advising clients on specific financial-related topics. Consulting services may include, but are not limited to, development of investment policy statements, asset allocation advice, manager evaluation and selection, risk and performance measurement, advice and analyses on specific investments, manager due diligence, risk assessment, credit analysis, business valuation and limited financial planning.

**Selection of Other Advisers**

As part of our investment advisory services, we may recommend that you use the services of a third party money manager ("MM") to manage all, or a portion of, your investment portfolio. After gathering information about your financial situation and objectives, we will recommend that you engage a specific MM or investment program. Factors that we take into consideration when making our

recommendation(s) include, but are not limited to, the following: the MM's performance, methods of analysis, fees, your financial needs, investment goals, risk tolerance, and investment objectives. We will periodically monitor the MM(s)' performance to ensure its management and investment style remains aligned with your investment goals and objectives.

You will be required to sign an agreement directly with the recommended MM(s). You may terminate your advisory relationship with the MM according to the terms of your agreement with the MM. You should review each MM's brochure for specific information on how you may terminate your advisory relationship with the MM and how you may receive a refund, if applicable. You should contact the MM directly for questions regarding your advisory agreement with the MM.

### **Types of Investments**

We do not primarily recommend one type of security or contract over another and recommend various types of securities and contract types. You may request that we refrain from investing in particular securities or certain types of securities. You must provide these restrictions to our firm in writing.

## **Item 5 Fees and Compensation**

### **Fees for Direct Separate Accounts**

Our standard fee schedule for direct separately managed investment advisory services is determined as a percentage of assets under management and is calculated as follows:

Strategy	Management Fee
Static Portfolio Hedge	0.20%
Dynamic Fixed Income Hedge	0.30%
Put/Call Under/Over Write	0.40%
Dynamic Equity Hedge	0.60%
Dynamic Exposure Management	0.60%
Enterprise Risk Management	0.20%
Caerus	0.80% plus performance fee
VegaEX	1.50% plus performance fee
General Portfolio Management	0.50%

While it is our general policy to charge the stated fees above, your fees may be subject to negotiation or modification depending upon the nature of the services offered, or your particular circumstances.

### **Fees for Sub Advisory Accounts**

Our fees for providing investment advisory services as sub-advisor range from 0.20% to 0.80% of assets under management. This range is determined by an agreement between us and the introducing financial advisor, for example a bank, trust company, broker dealer, program sponsor, or financial consultant. Total annual fees charged by financial advisor are generally unknown by us. The introducing financial advisor may collect the total advice fee from you or your account on a routine basis and remit only a portion of that fee to us.

However, under some contractual agreements, the financial advisor and Arin each

charge and collect a separate fee for our services.

Unless otherwise arranged, our annual asset based investment management fee is billed and payable monthly in arrears based on the value of your account on the last business day on or before the 15<sup>th</sup> day of the month.

If the client agreement is executed at any time other than the first day of a calendar month, our fees will apply on a pro rata basis, which means that the advisory fee is payable in proportion to the number of days in the month for which you are a client.

In lieu of or in addition to the fees stated above, if you have a net worth greater than \$2,000,000 or if we manage at least \$1,000,000 of your assets, we may charge you a negotiable performance based fee on certain strategies ranging between 5% and 15% of the appreciation of your account per year or in some cases, per quarter. The performance based fee is subject to a high water mark which means that that you will only pay a performance fee to the extent that the amount of the capital increase exceeds the sum of any cumulative loss in your account on a per calendar year or quarter basis, as applicable. Performance-based fees are generally payable annually or quarterly in arrears, on the earlier of the last day of each calendar year or quarter, as applicable, or the date on which the investment management agreement is terminated. Performance-based fees may cause a potential for conflict of interest in that the performance fee may be an incentive for us to make investments that are riskier or more speculative than would be the case absent a performance fee arrangement. In certain cases, we may charge a lower (or no) base management fee in conjunction with a higher performance-based fee.

We will quote an exact fee percentage to each client based on both the complexity and total dollar value of that account. At our discretion, we may combine the account values of family members living in the same household to determine the applicable advisory fee. For example, we may combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts.

### **Fee Payment Options for Separate Accounts**

There are two options you may select to pay for our services:

1. Direct debiting (preferred): at the inception of the relationship and each quarter thereafter, we will notify your custodian of the amount of the fee due and payable to us through our fee schedule and contract. The custodian does not validate or check our fee, its corresponding calculation, or the assets on which the fee is based unless you have hired them to do so. With your pre-approval, they will "deduct" the fee from your Account or, if you have more than one account, from the account you have designated to pay our advisory fees.

Each month, you will receive a statement directly from your custodian showing all transactions, positions and credits/debits into or from your account; including the advisory fee paid by you to us.

2. Pay-by-check: At the inception of our relationship with you and each quarter thereafter, we will issue you an invoice for our services with payment due to us by check or wire transfer within 15 days of the date of the invoice, or as negotiated and documented in your contract.

### **Fees Due Upon Termination**

Either party may terminate the investment management agreement for any reason

upon 30-days' written notice to the other. You will incur a pro rata charge for services rendered prior to the termination of the investment management agreement, which means you will incur advisory fees only in proportion to the number of days in the billing period for which you are a client. Any prorated balance under \$100 is not refundable. At the time of termination and under your direction, we will assist you with the method of closing any open positions to avoid loss, minimizing risk levels, and preserving capital.

### **Additional Fees and Expenses**

Advisory fees payable to us do not include all of the fees you pay when we purchase or sell securities for your account(s). In addition to our investment management fees, you may also incur some of the following fees or expenses, paid directly to third parties, whether a security is being purchased, sold or held in your account(s) under our management. Charges imposed at the mutual fund level, the subadvisory level, and fees charged by the broker dealer and/or custodian include:

- Advisory fees and administrative fees charged by Mutual Funds (MFs), and Exchange Traded Funds (ETFs);
- Advisory fees charged by sub-advisers (if any are used for your account);
- Brokerage commissions;
- Transaction fees;
- Exchange fees;
- SEC fees;
- Custodial Fees;
- Deferred sales charges (on MFs or annuities);
- Odd-Lot differentials; Deferred sales charges (charged by Mutual Funds);
- Transfer taxes;
- Wire transfer and electronic fund processing fees; and
- Commissions or mark-ups/mark-downs on security transactions.

These charges and fees are typically imposed by the broker-dealer or custodian through whom your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. For information on our brokerage practices, please refer to the "Brokerage Practices" section of this Disclosure Brochure.

### **Investment Consulting Services**

We may agree to charge either an asset based fee of 0.50% per year, an hourly fee of \$350, a fixed monthly fee ranging from \$5,000 to \$10,000, or a flat fee for these investment consulting services. Our fees are negotiable and timing of payment due for this service depend on the scope and complexity of services to be rendered. Our consulting fees may be charged in advance, upon completion, or some combination of advanced and completion fees.

An estimate of the total time and cost will be determined at the start of the consulting relationship. In limited circumstances, the time and cost could potentially exceed the initial estimate. In such cases, we will notify you in advance and request that you approve the additional fee. We will not require prepayment of a fee more than six months in advance and in excess of \$1,200.

Either party may terminate the consulting services agreement for any reason upon 30-days' written notice to the other. You will incur a pro rata charge for services



rendered prior to the termination of the consulting services agreement based on the work performed or in proportion to the number of days in the month for which you are a client. If you have pre-paid advisory fees that we have not yet earned, you will receive a prorated refund of those fees. At the time of termination and under your direction, we will assist you with the method of closing any open positions to avoid loss, minimizing risk levels, and preserving capital.

### **Selection of Other Advisers**

Advisory fees charged by MMs are separate and apart from our advisory fees. For selection of other advisers we charge an annual fee of 0.50% for assets up to \$25 million and 0.30% for assets over \$25 million. Our fee is billed and payable monthly in arrears based on the market value of assets managed by the MM on the last trading day of each month.

Advisory fees that you pay to the MM are established and payable in accordance with the brochure provided by each MM to whom you are referred. These fees may or may not be negotiable. You should review the recommended MM's brochure and take into consideration the MM's fees along with our fees to determine the total amount of fees associated with this program.

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

We manage accounts that are charged performance-based fees while at the same time managing accounts (perhaps with similar objectives) that are not charged performance-based fees ("side-by-side management"). Performance-based fees and side-by-side management may create conflicts of interest, which we have identified and described in the following paragraphs.

Performance-based fees may create an incentive for our firm to make investments that are riskier or more speculative than would be the case absent a performance fee arrangement. In order to address this potential conflict of interest, a senior officer of our firm periodically reviews client accounts to ensure that investments are suitable and that the account is being managed according to the client's investment objectives and risk tolerance.

Performance based fees may also create an incentive for our firm to overvalue investments which lack a market quotation. In order to address such conflict, it is the policy of our firm to "fairly value" any investments, which do not have a readily ascertainable value and generally defer to the custodian's appraised value..

Side-by-side management might provide an incentive for our firm to favor accounts for which we receive a performance-based fee. For example, we may have an incentive to allocate limited investment opportunities to clients who are charged performance-based fees over clients who are charged asset based fees only. To address this conflict of interest, we first attempt to segregate those accounts that are most closely aligned by objective and should this be inefficient or unfeasible, our policy is to allocate investment opportunities (if they are suitable) in an effort to avoid favoritism among our clients, regardless of whether the client is charged performance fees.

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

We provide our services to a number of Clients:

- Institutions

- Individuals, including High Net Worth Individuals
- Corporations or other business entities
- Endowments, Foundations, and Trusts
- Private Pensions and Profit Sharing Plans (ERISA)
- Subadvisory Relationships to RIAs

In general, we do not require a minimum dollar amount to open and maintain an advisory account; however, we have the right to terminate your account if it falls below a minimum size which, in our sole opinion, is too small to effectively manage. Certain custodians or brokers may impose minimums which we do not control.

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

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

We may use one or more of the following methods of analysis or investment strategies when providing investment advice to you:

- **Technical and Charting Analysis** - Technical Analysis involves studying past price patterns and trends in the financial markets to assist in the relative attractiveness of both the overall market and specific stocks. Charting analysis involves the gathering and processing of historical price and volume information for a particular security or market index. This price and volume information is analyzed using mathematical equations or rules. The resulting data is then applied to graphing charts, which is used to ascertain or assist in estimating future price movements based on these price patterns and trends. The risk of market timing based on technical analysis is that charts may not accurately predict future price movements. Current prices of securities may already reflect all information known about the security and day to day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.
- **Fundamental Analysis** - Fundamental analysis involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company's industry. The resulting data is used to approximate the value of the company's stock compared to the current market price. The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings or an appropriate risk adjusted interest rate to discount future cash flows, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.
- **Secular and Cyclical Analysis** - Secular and Cyclical analyses are types of technical analysis that involves evaluating recurring price patterns and trends. Economic/business cycles may not be predictable and may have many fluctuations between long term expansions and contractions. The lengths of economic cycles may be difficult to predict with accuracy and therefore the risk of cyclical analysis is the difficulty in predicting economic trends and consequently the changing value of securities that would be affected by these changing trends.
- **Long Term Purchases** - securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.
- **Short Term Purchases** - securities purchased with the expectation that they

will be sold within a relatively short period of time, generally less than one year, in an attempt to take advantage of the securities' short-term price fluctuations.

Our principal methods of security analysis are professional judgment and quantitative analysis. We make an evaluation of available investment opportunities using such measures including, but not limited:

- ratio of implied volatility to realized volatility;
- the spread between implied volatility to realized volatility ;
- company announcements;
- various dividend record and payment dates ;
- volatility curves;
- credit default swap prices;
- market liquidity;
- counterparty credit rating; and
- other factors as deemed necessary, from time to time.

Our firm's basic buy/sell rule for each position centers on a proprietary trading algorithm called TOFFE. This provides a scoring system based upon: Technical indicators, Observed market prices, Fundamental research, Factor model for risk, and E Exposure management. We view positions, portfolios, and aggregate risks in terms of political, economic, and financial exposures. We believe this multi-level approach enables us to create customized overlays for our clients seeking a reasonably assured net after-tax, risk adjusted rate of return with the flexibility to adapt to your needs and market conditions. Our firm's proprietary trading methodology is a flexible, combinatory approach to investing.

In addition to analysis listed above, we may also evaluate your holdings in terms of asset allocation or investment goals. A determination may be made to distribute assets among stocks, bonds, currencies, international assets and private investments in either the cash market or derivatives market.

We may use short-term trading (in general, selling securities within 30 days of purchasing the same securities) as an investment strategy when managing your account(s) when we determine that it is suitable given your stated investment objectives and tolerance for risk. This may include buying and selling securities frequently in an attempt to capture significant market gains and avoid significant losses during a volatile market. However, frequent trading can negatively affect investment performance, particularly through increased brokerage and other transactional costs and taxes.

Our investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio.

Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you continuously consult with a tax professional prior to and throughout the investing of your assets.

Moreover, as a result of revised Internal Revenue Service regulations, custodians and broker-dealers will begin reporting the cost basis of equities acquired in client accounts on or after January 1, 2011. Most custodians use the FIFO (First In First Out) accounting method as the default method for calculating the cost basis of your investments. You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, please provide written notice to our firm immediately and we will alert your account custodian of your individually selected accounting method. Please note that decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after trade settlement.

### **General Portfolio Management**

Arin's General Portfolio Management will enable you to work with us to guide you towards your specific investment goals. We will assist you in the selection of asset class allocation, security and sub advisors selection, as well as performance and risk measurement. It is vital you keep us aware of changes in your financial outlook and means so we keep your portfolio up to date with your requirements. We may under certain circumstances work with you to create a specific Investment Policy Statement which will guide the process and allow us to reflect upon our performance. Our fee for General Portfolio Management is 50 basis points or 0.50% per annum

### **Equity Hedge Strategy**

Arin's Equity Hedge attempts to limit or reduce the amount of loss an equity investor will experience in the event of a decline in the market value of your equity/stock portfolio. The Arin Equity Hedge does and will have basis risk. Basis risk is the lack of perfect correlation or dollar for dollar offset between your equity portfolio and Arin's hedging portfolio. We try to measure the amount of net market exposure across your portfolio but you realize we do not have real time, complete information for each and every equity holding. Further, even if we did have perfect clarity, we would find it very difficult to match losses with gains across all market environments. We tend to use options as the investment instrument to help us manage your portfolio under this strategy. Our fee for Equity Hedge is 60 basis points or 0.60% per annum

### **Fixed Income Hedge**

Arin's Fixed Income Hedge attempts to limit or reduce the amount of loss an equity investor will experience in the event of a decline in the market value of your fixed income/bond portfolio. The Fixed Income Hedge does and will have basis risk. Basis risk is the lack of perfect correlation or dollar for dollar offset between your fixed income portfolio and Arin's hedging portfolio. We try to measure the amount of net market exposure across your portfolio but you realize we do not have real time, complete information for each and every equity holding. Further, even if we did have perfect clarity, we would find it very difficult to match losses with gains across all market environments. We tend to use options as the investment instrument to help us manage the interest rate and credit risk under this strategy. Our fee for Fixed Income Hedge is 30 basis points or 0.30% per annum

### **Large Cap Core Plus Strategy**

Arin's Large Cap Plus attempts to enhance the relative return of the Standards and Poors 500 Stock Index through stock selection and volatility management. Logan Capital Management provides the stock selection and respective weightings for each portfolio position. Arin then adds some form of option trading which may include call or put option sales, call or put option buying, or some combination of option buys and sells. Arin pay Logan Capital a fee based upon the Assets under Management in this

strategy. Our fee for Large Cap Core Plus Strategy is 75 basis points or 0.75% per annum.

### **Enterprise Risk Management**

Arin's Enterprise Risk Management ("AERM") is only available to investment advisory firms, bank trust departments and representatives, members, shareholders, or employees of these firms. AERM attempts to assist financial advisory firms in protecting their revenue should the stock and/or bond market significantly decline in value. Many advisors charge fee based upon the Asset under Management ("AUM"). This results in a risk to their revenues should AUM decline. The Arin Enterprise Risk Management strategy does and will have basis risk. Basis risk is the lack of perfect correlation or dollar for dollar offset between the advisory firms' asset/revenue mix and Arin's hedging strategy. We try to measure the amount of net market exposure across advisor's total revenue base but we realize we do not have real time, complete information for each and every equity holding or revenue source. Further, even if we did have perfect clarity, we would find it very difficult to match losses with gains across all market environments. We tend to use options as the investment instrument to help us manage under this strategy. Our fee for Enterprise Risk Management ranges from 2 to 20 basis points or 0.02% to 0.20% per annum

### **Customized Strategy (Static Hedge, Dynamic Exposure, etc.)**

Arin will look to work with most investors as they try to enhance their returns, manage their risks, or replace an existing or potential market exposure. We can apply our option trading strategies to single assets, broad asset portfolios, or other assets that have some form of actual or estimated cash flow and referenced underlying asset. At times, the actual asset and the referenced asset are the same, but they need not be. Our fee for Customized Strategies range from 20 to 150 basis points or 0.20% to 1.50% per annum

### **Caerus Strategy**

The Arin's Caerus Strategy ("Caerus") is an actively managed, market-neutral, opportunistic investment program optimizing various volatility arbitrage style trading strategies. Caerus seeks to exploit relative levels of implied volatility within a given security, between two securities, or between a security or group of securities and an index. Caerus attempts to be neutral to equity market moves and changes in the overall level of equity market volatility. Directional risk is generally reduced through dynamic hedges and risk-defined option trade structures which reduce the impact of extreme market moving events. Caerus is typically appropriate for investors seeking additional sources of alpha that are unrelated to equity market valuations with a limitation on the amount of risk associated with large downward moves in the equity markets. Caerus seeks to achieve its investment objective by utilizing various trading techniques with a portfolio of options, common stocks, exchange traded funds ("ETFs"), index related instruments, and short-term instruments.

The Caerus investment strategy principally involves trading options based on market changes in the implied volatility of each contract. The market price of an option is partially based on the expected volatility, or potential variation in price over time, of its underlying asset. Caerus attempts to take advantage of differences between the volatility implied by the price of an option and the future volatility of the underlying security as forecast by Arin. By analyzing the implied and forecasted volatilities of a security, and comparing them to the implied and forecasted volatilities of a historically correlated security, Arin attempts to identify situations where an option on one security is relatively undervalued and an option on the other security is relatively overvalued. Caerus then takes a long position in the undervalued option and a short position in the overvalued option. Arin then seeks to mitigate the risk of adverse

price moves by adding an additional options trade to isolate the volatility differential and reduce the directional impact of both the underlying asset price and its level of volatility. Examples of correlated securities include, but are not limited to, stocks issued by companies in the same industry, a stock and an ETF based on a securities index that includes the stock, and ETFs based on indexes that tend to move in the same direction at the same time. Arin will employ different variations of this trading strategy, as well as other comparable trading strategies, that seek to exploit perceived pricing discrepancies in the options market.

In selecting the options that Caerus will trade, Arin first identifies exchange-traded options with a trading volume sufficient to preclude Caerus's trades from influencing prices. Arin next evaluates the available investment opportunities and uses a proprietary trading algorithm to determine when to buy and sell options. Arin then creates hedges, primarily utilizing options, common stocks, and ETFs, in an attempt to offset the risk of extreme price movements in the securities underlying the traded options. Such price movements impact the ability of Arin to successfully implement Caerus's investment strategy. Arin seeks to maintain exposure levels that are neutral to market movements and volatility levels.

Arin also allocates a portion of Caerus's capital to short-term instruments of investment grade quality, including money-market instruments and money-market mutual funds, when Arin believes the options markets offer limited investment opportunities. Caerus may hold short-term instruments for an extended period while waiting for offer attractive investment opportunities.

Our fee for Caerus is 80 basis points or 0.80% per annum plus a 10% (ten percent) performance fee for qualifying accounts.

### **VegaEx Strategy**

The Arin's VegaEx Strategy ("VegaEx") is an actively managed, market-neutral, opportunistic investment program optimizing various volatility arbitrage style trading strategies. VegaEx seeks to exploit relative levels of implied volatility within a given security, between two securities, or between a security or group of securities and an index. Directional risk is generally reduced through dynamic hedges and risk-defined option trade structures which reduce the impact of extreme market moving events. VegaEx is typically appropriate for investors seeking additional sources of alpha that are unrelated to equity market valuations with a limitation on the amount of risk associated with large downward moves in the equity markets. VegaEx's seeks to achieve its investment objective by utilizing various trading techniques with a portfolio of options, common stocks, exchange traded funds ("ETFs"), index related instruments, and short-term instruments.

The VegaEx investment strategy principally involves trading options based on market changes in the implied volatility of each contract. The market price of an option is partially based on the expected volatility, or potential variation in price over time, of its underlying asset. VegaEx attempts to take advantage of differences between the volatility implied by the price of an option and the future volatility of the underlying security as forecast by Arin. By analyzing the implied and forecasted volatilities of a security, and comparing them to the implied and forecasted volatilities of a historically correlated security, Arin attempts to identify situations where an option on one security is relatively undervalued and an option on the other security is relatively overvalued. VegaEx then takes a long position in the undervalued option and a short position in the overvalued option. Examples of correlated securities include, but are not limited to, stocks issued by companies in the same industry, a stock and an ETF based on a securities index that includes the stock, and ETFs based on indexes that

tend to move in the same direction at the same time. Arin will employ different variations of this trading strategy, as well as other comparable trading strategies, that seek to exploit perceived pricing discrepancies in the options market.

In selecting the options that VegaEx will trade, Arin first identifies exchange-traded options with a trading volume sufficient to preclude VegaEx's trades from influencing prices. Arin next evaluates the available investment opportunities and uses a proprietary trading algorithm to determine when to buy and sell options. Arin may also create hedges, primarily utilizing options, common stocks, and ETFs, in an attempt to offset the risk of extreme price movements in the securities underlying the traded options. Such price movements impact the ability of Arin to successfully implement VegaEx's investment strategy. Arin seeks to maintain exposure levels that may or may not be neutral to market movements and volatility levels.

Arin also allocates a portion of VegaEx's capital to short-term instruments of investment grade quality, including money-market instruments and money-market mutual funds, when Arin believes the options markets offer limited investment opportunities. VegaEx may hold short-term instruments for an extended period while waiting for offer attractive investment opportunities.

Our fee for VegaEx is 150 basis points or 1.50% per annum plus a 15% (fifteen percent) performance fee for qualifying accounts.

### **Theta Strategy**

Arin seeks to achieve Theta's investment objective by investing in a portfolio of common stocks, exchange-traded funds ("ETFs"), and futures contracts, while also engaging in option trades that Arin believes will be profitable due to perceived pricing discrepancies in the options' market.

As a matter of investment policy, Theta will invest, under normal circumstances, at least 80% of net assets, plus borrowings for investment purposes, in a portfolio of securities whose value is based on companies with market capitalizations that qualify them as "large-cap" companies. This policy may be changed without shareholder approval upon 60-days' prior notice to shareholders. Arin considers a company to be a "large cap" company if its market capitalization falls within the range of market capitalizations of companies included in the Standard & Poor's 500 Index. While Theta typically invests in common stocks, ETFs, futures contracts, and call options, it has the ability to invest in other types of equity securities such as preferred stocks and warrants that satisfy Theta's investment criteria.

A portion of Theta's assets will be invested in securities that track the performance of the U.S. large-cap equity market. These securities include ETFs and futures contracts based on broad-based market indexes, like the Standard & Poor's 500 Index. These securities may also include a group of common stocks that Arin believes will track the performance of large-cap equity market. Securities will be selected based upon their ability to provide exposure to the large-cap equity market with minimal tracking error. The percentage of Theta invested in these securities will change from time to time as Arin deems appropriate based on its analysis and allocation models.

Based on its exposure to the large-cap equity market, Theta will trade options to try to take advantage of perceived pricing discrepancies in the options' market. Arin identifies these trading opportunities by analyzing volatility. The price of an option is partially based on the volatility, or potential variation in price over time, of its underlying asset. Arin evaluates differences between the volatility implied by the

price of a call option and the future volatility of its underlying security as forecast by Arin. By analyzing the implied and forecasted volatilities of a security, and comparing them to the implied and forecasted volatilities of the large-cap equity market, Arin attempts to identify situations where a call option is relatively overvalued. Arin then establishes a short position by selling the call option or through other option trading strategies that intend to achieve a similar result.

In selecting the options that Theta will trade, Arin first identifies exchange-traded options with a trading volume sufficient to preclude Theta's trades from influencing prices. Arin next evaluates the available investment opportunities and uses a proprietary trading algorithm to determine when to buy and sell options. Arin also allocates a portion of Theta's capital to short-term instruments of investment grade quality, including money-market instruments and money-market mutual funds. Our fee for Theta is 40 basis points or 0.40% per annum

### **General Risks**

Investing in securities always involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance. We also cannot assure that third parties will satisfy their obligations in a timely manner.

**Trading Strategies based on Volatility.** Trading strategies based on volatility are difficult to implement and require successful monitoring, modeling, and interpretation of market conditions. Trading opportunities may be short-lived or limited as a result of a low trading volume in exchange-traded options, in which cases such strategies may be required to hold elevated cash balances. Transaction costs have a significant impact on the profitability of these trading strategies.

**Portfolio Turnover Risk.** Under normal circumstances, the anticipated portfolio turnover rate for each of Arin's strategies is expected to be more than 100%. High rates of portfolio turnover could lower performance of the strategy due to increased costs and may result in the realization of capital gains. If the strategy realizes capital gains when it sells its portfolio investments, it will increase taxable distributions to you. High rates of portfolio turnover in a given year would likely result in short-term capital gains and under current tax law you would be taxed on short-term capital gains at ordinary income tax rates if held in a taxable account.

**Non-Diversified Strategy Risk.** Because each Strategy is a non-diversified strategy, it will invest a greater percentage of its assets in a particular issuer and will own fewer securities than a diversified strategy. Accordingly, each strategy is subject to the risk that a large loss in an individual issuer will cause a greater loss than it would if the strategy were held a larger number of securities or smaller positions.

**General Market Risk.** Each strategy's value and investment return will fluctuate based upon changes in the value of its portfolio securities. Certain securities held may be worth less than the price originally paid for them, or less than they were worth at an earlier time.

**Common Stocks.** Each strategy's investments in common stocks, both directly and indirectly through investment in shares of ETFs, may fluctuate in value response to many factors, including, but not limited to, the activities of the individual companies, general market and economic conditions, interest rates, and specific industry



changes. Such price fluctuations subject each strategy to potential losses. During temporary or extended bear markets, the value of common stocks will decline, which could also result in losses for each strategy.

**ETF Risks.** Investments in ETFs will be subject to substantially the same risks as those associated with the direct ownership of the securities comprising the portfolio of such ETFs and the value of those investments will fluctuate in response to the performance of such portfolio. You will indirectly bear fees and expenses charged by the ETFs in addition to the Arin's direct fees and expenses. These types of investments by us could affect the timing, amount, and character of distributions and therefore may increase the amount of taxes payable by you.

**Risks from Purchasing Options.** If a call or put option purchased by us is not sold when it has remaining value and if the market price of the underlying security, in the case of a call, remains less than or equal to the exercise price, or, in the case of a put, remains equal to or greater than the exercise price, you will lose its entire investment in the option. There is no assurance that a liquid market will exist when we seek to close out an option position. Where a position in a purchased option is used as a hedge against price movements in a related position, the price of the option may move more or less than the price of the related position.

**Risks from Writing Options.** Writing option contracts can result in losses that exceed your initial investment and may lead to additional turnover and higher tax liability. There is no assurance that a liquid market will exist when we seek to close out an option position. Where a position in a written option is used as a hedge against price movements in a related position, the price of the option may move more or less than the price of the related position.

Additional detail on both purchasing and writing options can be found by downloading "Characteristics and Risks of Standardized Options" and related supplements through the OCC (formerly known as Options Clearing Corporation) website: <http://www.optionsclearing.com/about/publications/character-risks.jsp>

**Short Selling Stock Risk.** When you short sell, your losses can be infinite. A short sale loses when the stock price rises and a stock is (theoretically, at least) not limited in how high it can go. Shorting stocks involves using borrowed money. This is known as margin trading – see below. When short selling, you open a margin account, which allows you to borrow money from the brokerage firm using your investment as collateral. Short squeezes can wring the profit out of your investment. When stock prices go up short seller losses get higher, as sellers rush to buy the stock to cover their positions. This rush creates a high demand for the stock quickly driving up the price even further. This phenomenon is known as a short squeeze. Usually, news in the market will trigger a short squeeze, but sometimes traders who notice a large number of shorts in a stock will attempt to induce one. Timing – an additional complication is being right too soon. Even though a company is overvalued, it could conceivably take a while to come back down. In the meantime, you are vulnerable to interest, margin calls and being called away.

**Correlation Risk.** Where a position in a purchased option is used as a hedge against price movements in a related written option, the price of the purchased option may move more or less than the price of the related written option.

#### **Traditional Margin and Portfolio (risk based) Margin Risk**

Under certain conditions and options-based strategy mandates, Arin clients may be required to use "margin" within their securities account(s). Before trading securities

in a margin account, clients should carefully review the margin agreement provided by their registered broker/dealer to fully understand the risks involved with trading securities in a margin account. Securities purchased within a client's margin account may be paid for in full or part of the purchase price may be borrowed from the broker/dealer. If the client chooses to borrow funds from the broker/dealer, a margin account will be established. The securities purchased in the client's account are the collateral pledged to the broker/dealer for the loan. If the securities in the client's account decline in value, so does the value of the collateral supporting the loan, and, as a result, the broker/dealer may issue a margin call and/or sell securities or other assets held within the broker/dealer's accounts in order to maintain the required equity in the account. Portfolio margining is a margin methodology that sets margin requirements for an account based on the greatest projected net loss of all positions in a "security class" or "product group" as determined by a model using multiple pricing scenarios. Pricing scenarios for options are based on changes in inputs to a theoretical pricing model, including the underlying price and volatility. The goal of portfolio margining is to set levels of margin that more precisely reflect actual net risk. The client may benefit from portfolio margining in that margin requirements that are calculated based on net risk are generally lower than alternative "position" or "strategy" based methodologies for determining margin requirements. Lower margin requirements allow the client more leverage in an account, or post less collateral than traditional margin calculations. Whereas portfolio margining usually permits greater leverage in an account, it may also result in greater losses in the event of adverse market movements. In addition, the time limit for meeting a margin deficiency is shorter with portfolio margining, which might cause the margin account to be involuntarily liquidated. Since portfolio margining requirements rely on sophisticated mathematical calculations, clients may not be able to predict the size of future margin deficiencies.

### **Recommendation of Particular Types of Securities**

As disclosed under the "Advisory Business" section in this Brochure, we may elect to recommend all types of securities for various purposes since each client has different needs and different tolerance for risk. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it.

Overall, our investment strategies often involve both the cash and derivatives markets depending upon current and expected pricing. We generally consider the impact of how each asset will impact the total portfolio we manage. This may result in certain assets that gain while others lose. We may enter into cash market (stocks, bonds, mutual funds, exchanged traded funds, etc.) or derivatives transactions (options, futures, swaps, etc.) to help manage overall risk or to gain or reduce investment exposure on behalf of our clients. The derivatives instruments typically used by our firm include listed or exchange traded, FLEX (customized but listed on an exchange), and non exchange traded instruments such as over-the-counter options, over-the-counter prepaid forward sale agreements, swaps, structured notes, and other structured derivative transactions. Non exchange traded values may be difficult to secure and may require an estimate that is not reflective of the items' actual value or credit risk.

A derivative is a security whose price is dependent upon, or derived from, one or more underlying assets or its price movements. The derivative itself is merely a contract between two or more parties. Its value is determined by asset's directional movement, the magnitude of those moves, and the time during which the moves

have or will occur. The value of many contracts is most sensitive to historical and expected fluctuations in the underlying asset. The most common underlying assets include stocks, bonds, commodities, currencies, interest rates and market indexes. Most derivatives are characterized by high leverage, which can increase the level of risk - again, the higher potential for gain increases the potential for loss. While derivatives are generally used as an instrument to hedge risk, they can also be used for speculative purposes. Derivatives are generally characterized in two broad categories: 1) exchange traded: futures and options or 2) non exchange traded forwards, swaps, and other types of options or contracts.

## Item 9 Disciplinary Information

Arin Risk Advisors has been registered and providing investment advisory services since 2009. Neither our firm nor any of our associated persons has any reportable disciplinary information.

## Item 10 Other Financial Industry Activities and Affiliations

Joseph Desipio, an indirect principal owner of our firm, is also a principal of Vector Capital Management, Inc. Vector Capital Management Inc. is a capital markets advisory firm which provides portfolio accounting, valuation services, risk assessment and asset disposition advice.

The common ownership amongst the firms may present a conflict of interest because we have a financial incentive to recommend the services of Vector Capital Management, Inc.. While we believe the compensation Vector Capital Management, Inc. charges is competitive, such compensation may be higher than fees charged by other firms providing the same or similar services. You are under no obligation to use its services and may obtain comparable services and/or lower fees through other firms.

The advisory fees charged by our firm are separate and apart from any fees charged by Vector Capital Management. Mr. Desipio spends approximately 5-10 hours per month devoted to the operations of these companies.

Our firm's Advisory Board is comprised of knowledgeable experts in the fields of wealth management, derivatives and information technology. Each offers a unique perspective and depth of experience to draw on as our firm grows. The Advisory Board participates in regularly scheduled consultative sessions and is available for ad-hoc advice to our firm. All of these members spend the majority of their time devoted to outside business activities which may include providing advisory services to unaffiliated, registered investment advisers and non-registered entities.

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

### Description of Our Code of Ethics

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for our Associated Persons. We place our clients' interest first. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All of our Associated Persons are expected to adhere strictly to these guidelines. Our Code of Ethics also requires that certain persons associated with our firm submit reports of their personal account

holdings and transactions to a qualified representative of our firm who will review these reports on a periodic basis. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

In addition, we have adopted, and *claim compliance with, the CFA Institute Asset Manager Code of Professional Conduct. This claim has not been verified by CFA Institute*

Our Code of Ethics is available to you upon request. You may obtain a copy of our Code of Ethics by contacting Lawrence Lempert, Chief Compliance Officer at 610-822-3402.

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

Neither our firm nor any of our Associated Persons has any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this Brochure.

### **Personal Trading Practices**

Our firm or persons associated with our firm may buy or sell securities for you at the same time we or persons associated with our firm buy or sell such securities for our own account. We may also combine our orders to purchase securities with your orders to purchase securities ("block trading"). Please refer to the "Brokerage Practices" section in this Brochure for information on our block trading practices.

A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To mitigate this conflict of interest, it is our firm policy that we shall not have priority over your account in the purchase or sale of securities.

## **Item 12 Brokerage Practices**

We maintain relationships with several unaffiliated broker-dealers. In cases where we do not have the discretion to determine the broker-dealer to be used, you are free to choose any broker-dealer or other service provider. We usually recommend that you establish your account with a brokerage firm with which we have an existing relationship. Such relationships may include benefits provided to you and to our firm, including but not limited to, research, market information, and administrative services that help our firm manage your account(s). We believe that recommended broker-dealers provide execution services, commissions, borrowing rates, and securities lending rates for our clients at competitive prices. Price is not the sole factor we consider in evaluating best execution. We also consider the quality of the brokerage services provided by recommended broker-dealers, including their trading software, value of research provided, the firm's reputation, execution capabilities, commission rates, and responsiveness to our clients and our firm. In recognition of the value of research services and additional brokerage products and services recommended broker-dealers provide, you may pay higher commissions and/or trading costs than those determined solely by price or that may be available elsewhere.

While the receipt of these additional services are not considered "soft dollar" compensation, they are considered to provide a benefit to our firm which means we may have a conflict of interest in directing your brokerage business. We could receive specific benefits by selecting a particular broker-dealer to execute your

transactions, and the transaction compensation charged by that broker-dealer might not be the lowest compensation we might otherwise be able to negotiate.

The products and services we receive from broker-dealers will generally be used in servicing all of our clients' accounts. Our use of these services will not be limited to the accounts that paid commissions to the broker-dealer for such services.

### **Brokerage for Client Referrals**

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

### **Directed Brokerage**

If you choose to direct our firm to use a particular broker, you should understand that this might prevent our firm from aggregating trades with other client accounts or from effectively negotiating brokerage commissions on your behalf. This practice may also prevent our firm from obtaining favorable net price and execution. And, in the case of limitations on the use of "portfolio or risk based margin", this may keep our firm from effectively managing assets on your behalf.

Thus, when directing brokerage business, you should consider whether the commission expenses, execution, clearance, and settlement or margin capabilities that you will obtain through your broker are adequately favorable in comparison to those that we would otherwise obtain for you.

### **Block Trades**

Whenever possible, we combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as "block trading"). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the net liquidation value of the account, but it is not based on account performance or the amount or structure of management fees. Subject to our discretion regarding factual and market conditions, when we combine orders, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs. Accounts owned by our firm or persons associated with our firm but not invested in accordance with one of our strategies will not participate in block trading with your accounts.

In the event orders are not aggregated, you may receive different prices for the same securities transactions as other clients, you may not be able to buy and sell the same quantities of securities, and you may be charged higher commissions or fees than if orders were aggregated with other clients.

## **Item 13 Review of Accounts**

### **Investment Management Services**

A qualified representative of our firm will monitor your accounts on an ongoing basis and will conduct account reviews at least annually, to ensure that the investment management services provided to you and the portfolio mix are consistent with your stated investment needs and objectives. Additional reviews may be conducted based on various circumstances, including, but not limited to:

- ✦ contributions and withdrawals,
- ✦ year-end tax planning,
- ✦ market moving events,
- ✦ security specific events, and/or,

⬆ changes in your risk/return objectives.

We will provide you with a report summarizing account activity and performance in conjunction with annual account reviews. In addition, you will receive trade confirmations, monthly or quarterly statements, and year-end tax statements from your account custodian(s).

### **Investment Consulting Services**

A qualified representative of our firm will review/update your financial plan/analysis or other relevant documents periodically upon your request or as provided in the agreement for services. Such updates/reviews may be subject to additional charges.

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

We do not receive direct compensation from any third party in connection with providing investment advice to you. However, please refer to the "Brokerage Practices " section above for disclosures on research and other benefits we may receive resulting from our relationships with various brokers or custodians.

We directly compensate non-employee (outside) individuals and/or entities (Solicitors) for client referrals. In order to receive a cash referral fee from our firm, Solicitors must comply with the requirements of the jurisdictions in which they operate. If you were referred to our firm by a Solicitor, you should have received a copy of this Disclosure Brochure along with the Solicitor's disclosure statement at the time of the referral. If you become a client, the Solicitor that referred you to our firm will receive a percentage of the advisory fee you pay our firm for as long as you are a client with our firm, or until such time as our agreement with the Solicitor expires. You will not pay additional fees because of this referral arrangement. Referral fees paid to a Solicitor are contingent upon your entering into an advisory agreement with our firm. Therefore, a Solicitor has a financial incentive to recommend our firm to you for advisory services. This creates a conflict of interest; however, you are not obligated to retain our firm for advisory services. Comparable services and/or lower fees may be available through other firms.

Solicitors that refer business to more than one investment adviser may have a financial incentive to recommend advisers with more favorable compensation arrangements. We recommend that you ask Solicitors to disclose to you whether multiple referral relationships exist and that comparable services may be available from other advisers for lower fees and/or where the Solicitor's compensation is less favorable.

## **Item 15 Custody**

We directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or securities. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other independent, qualified custodian. You will receive account statements from the independent, qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian( s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy. If applicable, the reports we provide to you also reflect the amount of advisory fee deducted from your account.

You should compare our reports with the statements from your account custodian(s) to reconcile the information reflected on each statement. If you have a question regarding your account statement or if you did not receive a statement from your custodian, please contact Lawrence Lempert, Chief Compliance Officer at 610-822-3402.

## Item 16 Investment Discretion

Before we can buy or sell securities on your behalf, you must first sign our discretionary management agreement and/or trading authorization form.

You may grant our firm discretion over the selection and amount of securities to be purchased or sold for your account(s), the broker-dealer to be used and the commission rates to be paid without obtaining your consent or approval prior to each transaction. You may specify investment objectives, guidelines, and/or impose certain conditions or investment parameters for your account(s). For example, you may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio and/or restrictions or prohibitions of transactions in the securities of a specific industry or security. Please refer to the "Advisory Business" section in this Brochure for more information on our discretionary management services.

If you enter into non-discretionary arrangements with our firm, we will obtain your approval prior to the execution of any transactions for your account(s).

## Item 17 Voting Client Securities

### Proxy Voting

For individually managed accounts, we will not vote proxies on behalf of your advisory accounts. If you own shares of common stock or mutual funds, you are responsible for exercising your right to vote as a shareholder.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward any electronic solicitation to vote proxies.

## Item 18 Financial Information

We are not required to provide financial information to our clients because we do not:

- ⬆ require the prepayment of more than \$1,200 in fees and six or more months in advance, or
- ⬆ take custody of client funds or securities, or
- ⬆ have a financial condition that is reasonably likely to impair our ability to meet our commitments to you.

## Item 19 Requirements for State Registered Investment Advisers

We are a federally registered investment adviser; therefore, we are not required to respond to this item.



## Item 20 Additional Information

### **Your Privacy**

We view protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that we keep your personal information private and secure.

We do not disclose any nonpublic personal information about you to any nonaffiliated third parties, except as permitted by law. In the course of servicing your account, we may share some information with our service providers, such as transfer agents, custodians, broker-dealers, accountants, consultants, and attorneys.

We restrict internal access to nonpublic personal information about you to employees, who need that information in order to provide products or services to you. We maintain physical and procedural safeguards that comply with regulatory standards to guard your nonpublic personal information and to ensure our integrity and confidentiality. We will not sell information about you or your accounts to anyone. We do not share your information unless it is required to process a transaction, at your request, or required by law.

You will receive a copy of our privacy notice prior to or at the time you sign an advisory agreement with our firm. Thereafter, we will deliver a copy of the current privacy policy notice to you on an annual basis. Please contact Lawrence Lempert, Chief Compliance Officer at 610-822-3402, if you have any questions regarding this policy.

### **Class Action Lawsuits**

We do not determine if securities held by you are the subject of a class action lawsuit or whether you are eligible to participate in class action settlements or litigation nor do we initiate or participate in litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by you.

### **Trade Errors**

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account. If a trade error results in a profit, you will keep the profit unless a particular broker-dealer has a conflicting policy.



## **Item 2 Summary of Material Changes Supplement**

The following material changes occurred since the last brochure dated March 23, 2011.

We amended our brochure in November 2011 to disclose Lawrence Lempert as Chief Compliance Officer and to remove Jerry Snyder as an owner of the firm.

We amended our brochure in March 2012 to: disclose new ownership of our firm, disclose providing selection of other advisers as an advisory service, disclose additional information regarding our investment strategies and methods of analysis and risks and to disclose new strategies employed by our firm.