

## Firm Brochure – Form ADV Part 2A



2201 Ridgewood Road #180  
Wyomissing, PA 19610

877-318-4182 (Toll Free)

[www.institutional-advisors.com](http://www.institutional-advisors.com)

03/20/2013

Form ADV Part 2A is our “Disclosure Brochure” or “Brochure” which is required by the Investment Advisers Act of 1940. This is an important document between clients (you, your) and Institutional Advisors LLC (us, we, our) since it provides information about our qualifications and business practices. If you have any questions about the contents of this brochure, please contact us at 877-318-4182 or [Info@institutional-advisors.com](mailto:Info@institutional-advisors.com).

Additional information about Institutional Advisors LLC is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) (click on this link, select “Investment Adviser Search”, select “Investment Adviser Firm”, and type in our firm’s name). The results will provide you both Part 1A and Part 2A of our Form ADV.

The oral and written communications we provide to you, including this brochure, is information you may use to evaluate us and may be used in your decision to hire us or to continue to maintain a mutually beneficial relationship. Institutional Advisors LLC is an investment advisory firm registered with the SEC. This registration does not imply a certain level of skill or training. 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.

## **Item 2 - Material Changes**

Institutional Advisors LLC's last update to Part 2A of Form ADV was made in February 2012. There have been no material changes to Institutional Advisors' business activities since the time of that update.

At any time, we may update this brochure and may either send you or offer to send you a copy in hard copy form, or by electronic means (email).

If you would like another copy of the brochure, you may download it from the SEC website as indicated previously or you may contact our Chief Compliance Officer, Karen L. Kleffel, at 610-655-9848 or [info@institutional-advisors.com](mailto:info@institutional-advisors.com).

### Item 3 - Table of Contents

Item 1 -	Cover Page.....	1
Item 2 -	Material Changes.....	2
Item 3 -	Table of Contents .....	3
Item 4 -	Advisory Business .....	4
A.	<i>Description of our Firm:</i> .....	4
B.	<i>Types of Advisory Services We Offer:</i> .....	4
C.	<i>Tailored Advisory Services:</i> .....	4
D.	<i>Wrap Fee Programs:</i> .....	5
E.	<i>Advisory Assets under Our Administration:</i> .....	5
Item 5 -	Fees and Compensation.....	6
A.	<i>How We are Compensated for Our Services:</i> .....	6
B.	<i>How We Receive Our Fee:</i> .....	7
C.	<i>Other Types of Fees or Expenses:</i> .....	7
D.	<i>How are Fee Refunds Handled?</i> .....	8
E.	<i>Other Compensation of Supervised Persons:</i> .....	8
Item 6 -	Performance-Based Fees .....	8
Item 7 -	Types of Clients .....	8
Item 8 –	Methods of Analysis, Investment Strategies, and Risk of Loss .....	8
A.	<i>Analysis:</i> .....	8
B.	<i>Investment Strategies:</i> .....	9
C.	<i>Risk of Loss:</i> .....	13
Item 9 –	Disciplinary Information.....	13
Item 10 –	Other Financial Industry Activities and Affiliations.....	14
<i>Other Financial Industry Affiliations:</i> .....		14
<i>Other Financial Industry Activities:</i> .....		14
Item 11 –	Code of Ethics.....	15
Item 12 –	Brokerage Practices.....	17
<i>Investment or Brokerage Discretion:</i> .....		17
Item 13 –	Reviews of Accounts.....	20
Item 14 –	Client Referrals and Other Compensation .....	20
<i>Additional Compensation:</i> .....		20
<i>Client Referrals:</i> .....		20
Item 15 –	Custody.....	21
Item 16 –	Investment Discretion.....	21
Item 17 –	Voting Client Securities (Proxy Voting) .....	24
Item 18 –	Financial Information.....	24
Item 19 –	Requirements for State-Registered Advisers .....	25

## **Item 4 - Advisory Business**

### **A. *Description of our Firm:***

Institutional Advisors LLC ("IA LLC") is an SEC-registered investment advisory firm that was formed in February, 2009. IA LLC is owned by National Penn Bank ("NPB"), a banking subsidiary owned by National Penn Bancshares, Inc. ("National Penn"), a bank holding company based in Pennsylvania. Headquartered in Boyertown, PA, National Penn Bancshares operates offices in Pennsylvania and Maryland through National Penn Bank. National Penn's financial services affiliates are National Penn Wealth Management, N.A. ("NPWM"), including its National Penn Investors Trust Company ("NPITC") division; National Penn Capital Advisors, Inc.; IA LLC; and National Penn Insurance Services Group, Inc., including its Higgins Insurance and Caruso Benefits Group divisions.

NPB is a federally chartered bank and is our parent company. NPB provides traditional banking services, and through its affiliated entities, offers investment management and trust services, securities brokerage (through a third party marketing agreement with Cetera Investment Services LLC), and insurance brokerage on a fee or commission basis.

All of the National Penn firms described above would be considered "affiliates" of IA LLC.

### **B. *Types of Advisory Services We Offer:***

IA LLC offers discretionary investment management services to corporate, institutional, government, investment company, and high-net-worth individual clients. We offer specialized investment management services using proprietary investment strategies that focus on domestic stocks as well as high quality bonds. We do not typically manage real estate or tangible/physical assets, or employ options, futures, or other complex asset structures.

### **C. *Tailored Advisory Services:***

IA LLC tailors its advisory services to the individual needs of clients. We meet with you to discuss your financial situation, risk tolerance, and personal or business needs and objectives, and then work with you to formulate your investment objective. This investment objective along with any specific restrictions set by you becomes the roadmap we use to manage your assets. Your investment objectives are reviewed periodically and are adjusted as your needs may change.

***D. Wrap Fee Programs:***

IA LLC does not currently participate in any wrap fee programs.

***E. Advisory Assets under Our Administration:***

IA LLC serves as adviser for accounts totaling \$948,300,000 (nearest \$100,000) as of 12/31/2012. Of that amount, \$948,300,000 is actively managed by us (per the SEC's definition) on a discretionary basis where we make the investment decisions and execute transactions resulting from those decisions. We have no accounts on a non-discretionary basis where we provide custody and safekeeping services, trade settlement services, or investment advice, but the client makes the investment decisions.

## Item 5 - Fees and Compensation

### A. *How We are Compensated for Our Services:*

The compensation we charge for managing your assets is based on the market value of the assets held in the account. Certain clients may negotiate alternative fee arrangements.

#### **Fee Schedules**

##### Equity Only Portfolios and Accounts Invested in both Equity and Fixed Income Securities

Annual Fee on Market Value:	
On the first \$ 2,000,000	\$9.00 per \$1,000 (0.90%)
On the next 3,000,000	6.00 per 1,000 (0.60%)
On the next 10,000,000	5.00 per 1,000 (0.50%)
On the balance	4.00 per 1,000 (0.40%)
Minimum Annual Fee:	\$2,500

##### Core and Taxable Fixed Income Portfolios

Annual Fee on Market Value:	
On the first \$ 2,000,000	\$5.00 per \$1,000 (0.50%)
On the next 3,000,000	4.00 per 1,000 (0.40%)
On the next 10,000,000	3.00 per 1,000 (0.30%)
On the balance	2.50 per 1,000 (0.25%)
Minimum Annual Fee:	\$5,000

##### Short Duration and Intermediate Government Fixed Income Portfolios

Annual Fee on Market Value:	
On the first \$10,000,000	\$3.00 per \$1,000 (0.30%)
On the next 15,000,000	2.00 per 1,000 (0.20%)
On the balance	1.50 per 1,000 (0.15%)
Minimum Annual Fee:	\$3,000

##### Short-term Asset Management (STAM) Portfolios

Annual Fee on Market Value:	
On the first \$10,000,000	\$2.50 per \$1,000 (0.25%)
On the next 15,000,000	1.50 per 1,000 (0.15%)
On the balance	1.00 per 1,000 (0.10%)
Minimum Annual Fee:	\$2,500

**B. *How We Receive Our Fee:***

Generally, our fees are calculated and charged monthly beginning with the date the assets are added to the account, and fees are taken in arrears. At your request, the fees may be taken other than monthly, or may be billed to you for payment rather than charged to the account.

The assets that we manage on your behalf are under the custody and safekeeping of a qualified custodian. Your custodian follows instructions as authorized by you and provided by us to process transactions to your account. If you specified in our advisory agreement with you that fees would be directly charged from your account, we will notify your custodian of the fee amount, and the custodian will deduct the fee directly from your account or from an alternate account if you have multiple accounts. You will receive account statements from your custodian which will reflect the amount of the advisory fee paid by you to us.

If you choose to pay your fee by check, we will issue an invoice to you for our fee which should be paid within 30 days. We may assess additional service charges to any fee bill outstanding over 30 days, and we may direct that the fee be charged your account for the outstanding amount.

**C. *Other Types of Fees or Expenses:***

We may perform services for a client that are unusual or extraordinary for an investment advisor, and fees for these services will be determined by the extra work and degree of responsibility involved.

Advisory fees that you pay to us do not include all the fees you may pay when we purchase or sell securities for your account. Some fees and expenses are paid directly to third parties, and we do not receive, directly or indirectly, any of these fees charged to you. Examples of such fees are: brokerage commissions, transaction fees, exchange fees, SEC fees, advisory and administrative fees charged by mutual funds or exchange-traded funds, advisory fees charged by sub-advisers, custodial fees, deferred sales charges on mutual funds, odd-lot differentials, and transfer taxes.

If mutual funds are part of the asset allocation in your account, in addition to our advisory fee, you may incur normal expenses and advisory fees as described in the fund's prospectus and annual report. Some mutual funds also impose short term trading fees in the event that fund shares are sold during the short term holding period. These fees are also described in the fund's prospectus.

See Item 12 for a discussion of our brokerage practices where we describe the factors that we consider when selecting broker-dealers for our clients' transactions and how we determine the reasonableness of their compensation.

***D. How are Fee Refunds Handled?***

Our advisory fees are charged or billed in arrears so there is no provision for the refund of fees in the event an account closes.

***E. Other Compensation of Supervised Persons:***

A supervised person is any officer, director, or other employee who provides investment advice to our clients on our behalf. None of our supervised persons receives additional compensation for the sale of securities or other investment products to our clients. As such, there is no conflict of interest.

**Item 6 - Performance-Based Fees**

Neither IA LLC nor any of our supervised persons receive performance-based fees where the fee is calculated on capital gains or the capital appreciation of assets held in your account.

**Item 7 - Types of Clients**

We provide services to a number of clients including high net worth individuals; investment companies; pension and profit sharing plans; trusts, estates, and charitable organizations; not for profit entities; corporations and business entities; and public funds other than pension and profit-sharing plans.

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

***A. Analysis:***

IA LLC designed all investment processes used by the firm to manage client portfolios. In the equity area, we obtain data on current and potential stocks for client portfolios, we perform a thorough analysis of the companies relative to the overall market and their specific industry sector, and we rank them according to their investment merits. Part of this work includes elements of quantitative analysis enhanced with an overlay of



technical analytics to identify strongly performing stocks. Finally, portfolios are constructed using these rankings within a disciplined framework to provide diversification by style (growth versus value), market capitalization, company, industry sector, and industry sub-sector.

Our fixed income work focuses on quality, highly liquid debt securities of the US government, US agencies, and domestic corporations. An analysis of the relevant benchmark index, colored by our short- and intermediate-term view of the economic and investment climate, drives our portfolio structure decisions.

We adhere to strict disciplines regarding diversification by security and sector, average duration of the portfolio, and liquidity.

**B. *Investment Strategies:***

**LargeCap Core Equity Strategy:** This domestic equity strategy focuses on large-sized companies and seeks a strong total investment return while lessening risk as measured by volatility. Using a concentrated portfolio approach, we draw 25 to 35 securities from the universe of members of the Standard and Poor's 500 Index. The management technique uses the proprietary analysis described in item 8A to produce a core portfolio that includes elements of both Growth and Value investment styles. Stocks selected for this investment strategy are done so with the goal of holding them for a long-term time period, but changing circumstances could result in their sale in a short time period. Performance of this strategy is measured against the S&P 500 Index.

Historically, turnover for this strategy has been low by industry standards which tends to enhance total return through lower than average transaction costs.

**MidCap Core Equity Strategy:** This domestic equity strategy focuses on medium-sized companies and seeks a strong total investment return while lessening risk as measured by volatility. Using a concentrated portfolio approach, we draw up to 50 securities from the universe of domestic companies with a market capitalization between \$500 million and \$10 billion at the time of purchase. The management technique uses the proprietary analysis described in item 8A to produce a core portfolio that includes elements of both Growth and Value investment styles. Stocks selected for this investment strategy are done so with the goal of holding them for a long-term time period, but changing circumstances could result in their sale in a short time period. Performance of this strategy is measured against the S&P 400 Index.

Historically, turnover for this strategy has been low by industry standards which tends to enhance total return through lower than average transaction costs.

**AllCap Core Equity Strategy:** This domestic equity strategy includes large-, mid-, and small-sized companies and seeks a strong total investment return while lessening risk as measured by volatility. Using a concentrated portfolio approach, we draw up to 50 securities from the universe actively-traded domestic equities. The management technique uses the proprietary analysis described in item 8A to produce a core portfolio that includes elements of both Growth and Value investment styles and a defined allocation based upon market capitalization. Stocks selected for this investment strategy are done so with the goal of holding them for a long-term time period, but changing circumstances could result in their sale in a short time period. Performance of this strategy is measured against the S&P 1500 Index.

Historically, turnover for this strategy has been low by industry standards which tends to enhance total return through lower than average transaction costs.

**Socially Responsible Equity Strategy:** This equity strategy employs the same stock selection and diversification principles as our LargeCap, MidCap, and Allcap strategies except it limits its purchases to members of the MSCI KLD 400 Index. This index is designed to provide exposure to the stocks of companies that KLD determines have positive Environmental, Social, and Governance characteristics and consists of approximately 400 companies drawn from the universe of the 3,000 largest US public equities as measured by float-adjusted market capitalization. To use this strategy, your account must have an aggregate market value of at least \$250,000. Performance of this strategy is measured against the MSCI KLD 400 Social Index.

If you use this strategy, your return will likely be different than if you had not limited investments to socially responsible companies. While we can not know if this limitation will reduce or increase your return, you should consider this difference when making your strategy decision.

**Diversified Managers Equity Strategy:** This equity strategy blends four types of mutual or closed end investment funds that generally invest in large market capitalization companies, medium market capitalization companies, small market capitalization companies, and international companies, and includes a small exposure to non-traditional assets which serves to diversify the composition of the strategy. Periodically, we review the strategy to determine the allocation of assets to each group and the specific fund selections. Performance in this strategy is measured against

a blended benchmark of the S&P 500 Index, the S&P 400 Index, the Russell 2000 Index, and the MSCI EAFE.

**Socially Responsible Balanced Strategy:** The equity portion of the strategy employs the same stock selection and diversification principles as our LargeCap, MidCap, and Allcap strategies except it limits its purchases to members of the MSCI KLD 400 Index. This index is designed to provide exposure to the stocks of companies that KLD determines have positive Environmental, Social, and Governance characteristics and consists of approximately 400 companies drawn from the universe of the 3,000 largest US public equities as measured by float-adjusted market capitalization. The fixed income portion is invested in bonds that are selected in accordance with our Taxable Fixed Income strategy but exclude government and corporate bonds that we determine do not meet a socially responsible mandate. To use this strategy, your account must have an aggregate market value of at least \$250,000. Performance of this strategy is measured against a blend of the MSCI KLD 400 Social Index and Barclays Capital Government/Credit Bond Index.

If you use this strategy, your return will likely be different than if you had not limited investments to socially responsible companies. While we can not know if this limitation will reduce or increase your return, you should consider this difference when making your strategy decision.

**Diversified Managers Taxable Fixed Income Strategy:** This strategy seeks preservation of capital with reasonable income through the use of external mutual funds. We screen, select, and monitor the mutual funds to determine the asset allocation. Performance of this strategy is measured against the Barclays Capital Aggregate Index with proportionate weightings determined by us.

**Diversified Managers Tax Free Fixed Income Strategy:** This strategy seeks preservation of capital with reasonable income through the use of external mutual funds. We screen, select, and monitor the mutual funds to determine the asset allocation. Performance of this strategy is measured against the Barclays Capital Municipal Bond Index with proportionate weightings determined by us.

**Core Fixed Income Strategy:** Our fixed income team uses independent research, macro-economic tools, and in-house analysis to identify major variables impacting the economy. This research provides an awareness of the trends currently shaping interest rate direction and yield curve slope. Further analysis dictates portfolio construction and leads to the establishment of a portfolio duration which is +/- 20% of the benchmark as well as implementation of a yield curve strategy. This is followed by relative spread analysis to determine sector allocation. Security selection

is completed once individual issues are evaluated on a basis of spread, characteristics, liquidity and quality. A continual reassessment of trends in a dynamic market environment, as well as security specific events, determines buy/sell decisions in a portfolio.

The fixed income team closely monitors all sectors within the benchmark and specific issues that are compatible with our investment process and policy guidelines. This strategy is designed to control portfolio structure relative to the benchmark Barclays Capital U.S. Aggregate Bond Index.

**Taxable Fixed Income Strategy:** The Taxable Fixed Income Strategy seeks superior total returns through active management of a fixed income security portfolio with heavy emphasis on current yield. The investment strategy may utilize various debt securities, including those of the U.S. Treasury, U.S. Government Agencies, and investment grade U.S. corporations, as well as various asset-backed bonds and preferred stock. Securities selected have intermediate to long maturities. Broad investment themes are consistent with IA's full duration portfolio. This strategy is designed to control portfolio structure relative to the benchmark Barclays Capital Government/Credit Bond Index. The fixed income team seeks to minimize risk through diversification by issuer and maturity with no more than 10% in any issue other than the US Treasuries and US Government Agencies.

**Short Duration Government Fixed Income Strategy:** This strategy utilizes U.S. Government, agency, and high quality corporate securities for investors seeking an intermediate duration income strategy. Broad investment themes are consistent with IA's full duration portfolio, but the strategy is intended to produce reduced volatility through a shorter duration structure. The strategy seeks an average duration +/- 20% of the benchmark index. Active management seeks reasonable current yield consistent with increased stability of principal value. Individual issues are reviewed for purchase or sale on the basis of spread (historic and relative), liquidity, quality (investment grade or better) and characteristics such as structure, coupon and maturity. This strategy is designed to control portfolio structure relative to the benchmark Barclays Capital Government/Credit Intermediate Bond Index.

**Short Term Asset Management ("STAM") Strategy:** Each portfolio is built with a total return focus from high quality investment vehicles. The current macroeconomic and interest rate environment dictates the overall construction of the portfolio after meeting all client specific needs. The STAM strategy targets specific areas of the yield curve and maintains an average maturity that reflects Institutional Advisors' view of anticipated movements in short-term interest rates. Each STAM portfolio is diversified across eligible fixed-income and money market securities, which are

further positioned within the portfolio to maximize a client's risk/return objective. Relative value analysis is the ultimate driver when selecting individual securities for inclusion in the portfolio.

**Municipal Fixed Income Strategy:** This strategy seeks superior investment returns through active management of federally tax-exempt fixed income securities. In addition to seeking reasonable current yield, the strategy enhances total rates of return while maintaining a diverse, high quality portfolio. The strategy uses state and local general obligations as well as various revenue municipal debt securities with intermediate to long maturities. To use this strategy, your account must have an aggregate market value of at least \$500,000. Performance of this strategy is measured against the Barclays Capital Municipal Bond Index.

**Short Duration Fixed Income Strategy:** This actively-managed, total return strategy focuses on preservation of capital and liquidity, and uses top-tier investment grade corporate issuers and US government securities. To use this strategy, your account must have an aggregate market value of at least \$250,000. Performance of this strategy is measured against a benchmark of a 50/50 blend of the Barclays Capital US Government/Credit Intermediate Bond Index and the 1-month LIBOR.

**C. *Risk of Loss:***

Risks of investing include the risk that the strategies will not produce the desired returns or that the overall investment market or your specific portfolio will decline in value. All investments in securities include a risk of loss of your principal (invested amount) and any profits that have not been realized. Stock and bond markets may fluctuate substantially over time, and performance of any investment is not guaranteed. We will do our very best to successfully manage your assets, but we cannot guarantee any level of performance or that you will not experience a loss in value of your account assets.

## **Item 9 – Disciplinary Information**

We are obligated to disclose any disciplinary event that would be material to you when evaluating us to initiate a relationship or to continue a relationship with us. We do not have any legal, financial, or other disciplinary item to report to you.

This statement applies to our firm as well as every employee.

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

### ***Other Financial Industry Affiliations:***

In Item 4A, we described our firm and its affiliated companies. At your request, we may recommend the services of one of our affiliated firms to provide access to traditional banking services, investment management and trust services, securities brokerage, and insurance brokerage on a fee or commission basis.

Our relationship to National Penn Bank and its affiliates is not material to the performance of our investment advisory services with the exception of National Penn Wealth Management N.A. (“NPWM”) and its division National Penn Investors Trust Company (“NPITC”). NPWM provides traditional trust and asset management services through its NPITC division. With respect to our firm, NPITC provides administrative, operational, custodial, and systems services to assist with the advisory business.

Funds in your account awaiting investment or disposition may be temporarily invested in deposit accounts with National Penn Bank, one of our affiliates. These deposit accounts earn interest in line with industry norms.

### ***Other Financial Industry Activities:***

Lewis C. Cyr is a member of the Board of Managers for IA LLC. He also serves as President and CEO of National Penn Wealth Management, N.A., and affiliate of IA LLC. Mr. Cyr’s activities do not have a material impact on the investment advisory services we provide to you and do not represent a material conflict of interest.

H. Anderson Ellsworth serves as Secretary to the Board of Managers for IA LLC. He also serves as Corporate Secretary/Corporate Governance Officer and Chief Legal Officer for National Penn Bancshares, Inc., the parent company of National Penn Bank, our parent company. Mr. Ellsworth’s activities do not have a material impact on the investment advisory services we provide to you and do not represent a material conflict of interest.

James D. King serves as our President and is a member of our Board of Managers. He also serves in a management supervisory role for National Penn Capital Advisors (“NPCA”), an affiliated registered investment advisory firm. Mr. King’s activities with NPCA do not have a material impact on the investment advisory services we provide to you and do not represent a material conflict of interest.

Karen L. Kleffel serves as our Chief Compliance Officer. She serves in a similar capacity for National Penn Wealth Management, N.A. and its divisions. Ms.

Kleffel's activities do not have a material impact on the investment advisory services we provide to you and do not represent a material conflict of interest.

Richard A. Lord, Jr., serves as our Chief Financial Officer. Mr. Lord retains his status as a registered broker-dealer representative through a Third Party Marketing agreement between Cetera Investment Services LLC and National Penn Bank. Mr. Lord also serves as Chief Financial Officer for National Penn Wealth Management, N.A. and reports to National Penn Bank's Finance Department. Mr. Lord's activities do not have a material impact on the investment advisory services we provide to you and do not represent a material conflict of interest.

Donald P. Worthington is a member of the Board of Managers for IA LLC. He also serves as Chairman of the Board of National Penn Wealth Management, N.A., and affiliate of IA LLC. Mr. Worthington's activities do not have a material impact on the investment advisory services we provide to you and do not represent a material conflict of interest.

Brian S. Wubbe is a registered representative of Financial Telesis Inc., a broker-dealer. Mr. Wubbe's activities do not have a material impact on the investment advisory services we provide to you and do not represent a material conflict of interest.

IA LLC is the Investment Advisor to the Institutional Advisors LargeCap Fund ("IALFX"), a registered, open-end mutual fund. In that capacity, our firm receives a management fee from the Fund which is reflected in the expense ratio of the Fund, thus reducing the return to the mutual fund shareholders. The Fund also has 12b-1 fee and revenue sharing agreements in place with advisers. The fees we or our affiliates receive from IALFX create an inherent conflict of interest for us if we recommend the Fund to our clients or purchase the Fund for accounts where we have investment discretion.

To address this conflict of interest, we and our custodial affiliate, NPITC, decline all 12b-1 and revenue sharing fees on shares of the Fund held in our clients' accounts. Where prohibited by law (ERISA accounts and IRAs), we accept a management fee from the Fund but do not also take a management fee for the value of the Fund assets held in clients' accounts. The potential conflict of interest is disclosed to clients at the time an account is opened as well as each time a statement is delivered to the client.

## **Item 11 – Code of Ethics**

As required by regulation and in accordance with industry best practices, IA LLC has adopted a Code of Ethics that governs a number of potential conflicts of interest we may encounter when providing our advisory services to you. This

Code is designed to ensure that we meet our fiduciary obligation to you and to drive home a Culture of Compliance within our firm. As designed, the Code will detect and prevent violations of securities laws.

Our Code of Ethics is comprehensive and is distributed to each employee at the time of hire and annually thereafter. We supplement the Code with annual certifications and monitoring of employee activity.

Our Code includes the following:

- Requirements related to the confidentiality of your account.
- Prohibitions on insider trading if we are in possession of material, non-public information, rumor mongering, and the acceptance of gifts and entertainment that exceed our policy standards.
- Requirements for reporting of gifts and business entertainment.
- Requirements for pre-clearance of employee transactions.
- Requirements for reporting all personal securities transactions.
- Requirements for annual employee certification of the Code of Ethics.
- Identification of members of an employee's household and any accounts in which they have a beneficial interest.

Our Code does not prohibit personal securities trading by our employees. Our employees may purchase or sell the same or similar securities at the same time that we place transactions for your account and the accounts of our other clients. We may also purchase or sell securities that are suitable for us as an employee or a related account but not suitable for any client, including you.

Officers, managers, or employees of IA LLC may buy or sell for their own accounts securities that it or they recommend to clients. We have adopted a policy covering all persons who may be in a position to know in advance of trading activity or influence trading activity to avoid potential conflicts of interest involving their personal trades. Under our policy, these persons are required to disclose personal securities transactions on a quarterly basis, and to abide by the terms of our Code of Ethics. A copy of the Code of Ethics is available to clients and prospective clients upon request.

You may request a complete copy of our Code of Ethics by contacting us at the address, telephone, or email listed on the cover page of this report to the attention of the Chief Compliance Officer.

IA LLC is the Investment Advisor to the Institutional Advisors LargeCap Fund ("IALFX"), a registered mutual fund. In that capacity, our firm receives a management fee from the Fund which is reflected in the expense ratio of the Fund, thus reducing the return to the mutual fund shareholders. The Fund also has 12b-1 fee and revenue sharing agreements in place with advisers. The fees we or our affiliates receive from IALFX create an inherent conflict of interest for



us if we recommend the Fund to our clients or purchase the Fund for accounts where we have investment discretion.

To address this conflict of interest, we and our custodial affiliate, NPITC, decline all 12b-1 and revenue sharing fees on shares of the Fund held in our clients' accounts. Where prohibited by law (ERISA accounts and IRAs), we accept a management fee from the Fund but do not also take a management fee for the value of the Fund assets held in clients' accounts. The potential conflict of interest is disclosed to clients at the time an account is opened as well as each time a statement is delivered to the client.

## **Item 12 – Brokerage Practices**

### ***Investment or Brokerage Discretion:***

For accounts where we serve as the investment manager, we have the authority to buy and/or sell securities without obtaining client consent unless you provide specific written directions to the contrary. For these accounts, we determine the securities to be bought or sold, the amount of the securities to be bought or sold, the broker or dealer to be used, and the commission rates paid subject to some limitations.

#### *Limitations - Affiliated Company Stock*

We will not buy or hold stock of an affiliated company, as described in item 4A and 10, without specific direction from you, the person authorized to give such instruction. You will be required to sign an Investment Authorization letter to authorize the purchase or retention of any security not included in our recommended investment strategy for your account.

#### *Limitations - Brokerage Discretion:*

Generally, brokerage firms are approved for execution services by our Investment Committee after clearing a defined due diligence process. Trades are placed with a broker by matching the nature of the trade with the expertise of the brokerage firm. For fixed income trades, competitive bids and offers are secured either by seeking direct bids from various brokers or seeking multiple street bids through a selected firm. We periodically re-evaluate brokerage services using a number of factors including promptness of execution, competitive price delivery, responsiveness, creditworthiness and financial stability, clearance and settlement capability, and, in certain circumstances, a broker's willingness to commit capital and the provision of research and soft dollar benefits. Accordingly, transactions will not always be executed at the lowest available price or commission.

A component of the service provided by equity brokers may include investment research as permitted under the safe harbor guidelines of SEC Rule 28(e) that, in our view, provide appropriate assistance to us in the investment decision-making process. As a result, we may pay for those brokerage and research services with soft or commission dollars. The types of brokerage and research services that we acquired with client brokerage commissions in 2012 included: research reports on companies, industries, and securities; economic, market, and financial data; access to broker-dealer analysts, corporate executives, and industry experts; attendance at trade industry seminars and broker-organized conferences; and services related to effecting securities transactions and functions incident thereto such as clearance and settlement services.

When we use client commissions to obtain brokerage and research services, we receive a benefit because we do not have to produce or pay for the brokerage and research services ourselves. As a result, this creates a conflict of interest because we may have an incentive to select a broker-dealer based on our own interests in receiving the brokerage and research services from that broker-dealer, rather than solely on our clients' interests in receiving the most favorable execution. However, when selecting broker-dealers that provide brokerage and research services, we are obligated to determine in good faith that the commissions to be paid are reasonable in relation to the value of the brokerage and research services they provide to us. The reasonableness of the commissions will be viewed in terms of the particular transactions or our overall responsibilities to our clients' accounts over which we exercise investment discretion, even though the broker-dealer may be willing to execute transactions at a lower commission.

As a client who has given us investment discretion on your account, you receive benefit from these research services. Trade execution costs may be higher for your or other accounts utilizing those research services than for those accounts not using the research services. We do not receive research services under soft-dollar arrangements with any fixed income brokerage firms.

Brokerage and research services may be used to service any or all of our discretionary advisory accounts, including accounts that do not pay commissions to the broker-dealer relating to the brokerage and research service arrangement. As a result, brokerage and research services including soft dollar benefits may disproportionately benefit some client accounts relative to others. Brokerage and research services obtained through commissions paid by client accounts are shared freely with all portfolio management personnel within our investment team. We do not attempt to allocate soft dollar benefits proportionately among clients or to

track the benefits of brokerage and research services to the commissions associated with a particular account.

As a client, you may direct us, in writing, not to use a broker who is an affiliated company.

*Limitations – Commission Rates Paid:*

For accounts where we have investment management discretion, we have negotiated equity commissions with all approved brokers at a standard rate per share so that there is no bias in the selection of the firm. The commission rate for discretionary accounts includes research costs provided by the brokerage firm.

For non-discretionary accounts, we seek a lower trade execution rate since research costs are not included.

*Client Directed Brokerage:*

We do not encourage client directed brokerage but will accommodate a client's request, and you, the client, designate a person to authorize such instructions. When these trade directions are received, we execute the orders promptly and will not combine (block) them with any of our discretionary trades. Since we can't aggregate the trade orders, we may not be able to get an identical execution for you resulting in varying costs.

*Block Trading Procedures for Discretionary Securities:*

Equity trades for the same security on the same day will be combined (blocked) daily whenever possible to ensure that our clients receive the best execution on the trade.

Fixed income trade orders for corporate and US Treasury and Agency issues will be blocked on a weekly basis whenever possible to ensure that our clients receive better pricing and execution due to size of trade.

Trade orders for mortgage-backed securities will be blocked on a monthly basis whenever possible to ensure that our clients receive better pricing and execution due to size of trade.

Trade orders for municipal bond securities are blocked and purchased in minimum amounts of \$1 million whenever possible to facilitate best price and execution.

*Cross transactions policy/procedure:*

We do not process cross trades between accounts. All trading activity is arm's-length through a brokerage firm.

## **Item 13 – Reviews of Accounts**

Investment portfolios are formally reviewed at least annually by the Chairman of our Portfolio Review Committee and other investment team members. We review a selection of accounts monthly so that all accounts under management are reviewed by the end of the annual cycle. The reviewers' responsibility is to confirm that all of your assets are invested fully in our investment strategies in a manner that complies with the your objectives, and that any positions that are outside of our investment strategies have been directed by you, or are held due to other constraints specific to your individual situation such as low tax cost.

Clients generally receive statements monthly from their qualified custodian, but you may request other statement cycles to fit your needs. Trade confirmations often are a component of the statement, but you may request separate trade confirmations from your custodian at the time of the transaction. We urge you to review the statements from your custodian promptly and contact them if you have any concerns.

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

### ***Additional Compensation:***

We do not have any compensation agreements where we receive cash or other economic benefit from someone who is not a client of ours in connection with providing services to our clients.

### ***Client Referrals:***

We may provide investment management services to new clients through our trust and asset management affiliate, National Penn Investors Trust Company ("NPITC"), a division of National Penn Wealth Management, N.A. NPITC has a referral compensation plan in effect for new relationships you may establish with us.

When a referral results in a sale of a new relationship, NPITC pays the person who referred the client a cash award equal to 10% of the account's current recurring fee based upon the initial funding value. The referrer also receives an award based upon the value of any additional funding that occurs during the first six months after the account is opened.

## **Item 15 – Custody**

We do not maintain custody of your assets directly. The actual custody function is performed by other providers such as brokers, banks, or other qualified custodians contracted by you. Those providers, as qualified custodians, safeguard your assets, settle trades, collect dividends and interest, and process cash transactions on your behalf. You receive regular statements from them based upon the cycle you requested which list your assets including information such as your cost and market value, and transaction activity for the period. We urge you to review these statements carefully and to contact your custodian if you have any concerns.

The records maintained by your custodian as reflected on your statement are the official records of your account and assets for tax reporting and other purposes. Your custodian will provide information to the IRS and other appropriate governmental agencies and to you for proper tax reporting annually.

We may produce specialized investment performance reports for your account periodically which may differ from those you receive from your custodian. A common difference involves the market value of certain securities. Since custodians may use a different pricing vendor than we use, the prices for certain securities, especially fixed income securities, could vary.

The accounting systems used by your service providers may also employ different reporting methods. Our performance reports are based upon trade date accounting with accruals whereas some custodians report activity on a settlement date basis with or without accruals. While both reporting methods are accurate and acceptable, you should be aware of the potential differences that could appear. We urge you to compare our reports with those of your custodian and contact us with any concerns you may have.

## **Item 16 – Investment Discretion**

For accounts where we serve as the investment manager, we have the authority to buy and/or sell securities without obtaining client consent unless you provide specific written directions to the contrary. For these accounts, we determine the securities to be bought or sold, the amount of the securities to be bought or sold, the broker or dealer to be used, and the commission rates paid subject to some limitations.

### *Limitations - Affiliated Company Stock*

We will not buy or hold stock of an affiliated company, as described in item 4A and 10, without specific direction from you, the person authorized to give such instruction. You will be required to sign an Investment

Authorization letter to authorize the purchase or retention of any security not included in our recommended investment strategy for your account.

*Limitations - Brokerage Discretion:*

Generally, brokerage firms are approved for execution services by our Investment Committee after clearing a defined due diligence process. Trades are placed with a broker by matching the nature of the trade with the expertise of the brokerage firm. For fixed income trades, competitive bids and offers are secured either by seeking direct bids from various brokers or seeking multiple street bids through a selected firm. We periodically re-evaluate brokerage services using a number of factors including promptness of execution, competitive price delivery, responsiveness, creditworthiness and financial stability, clearance and settlement capability, and, in certain circumstances, a broker's willingness to commit capital and the provision of research and soft dollar benefits. Accordingly, transactions will not always be executed at the lowest available price or commission.

A component of the service provided by equity brokers may include investment research as permitted under the safe harbor guidelines of SEC Rule 28(e) that, in our view, provide appropriate assistance to us in the investment decision-making process. As a result, we may pay for those brokerage and research services with soft or commission dollars. The types of brokerage and research services that we acquired with client brokerage commissions in 2012 included: research reports on companies, industries, and securities; economic, market, and financial data; access to broker-dealer analysts, corporate executives, and industry experts; attendance at trade industry seminars and broker-organized conferences; and services related to effecting securities transactions and functions incident thereto such as clearance and settlement services.

When we use client commissions to obtain brokerage and research services, we receive a benefit because we do not have to produce or pay for the brokerage and research services ourselves. As a result, this creates a conflict of interest because we may have an incentive to select a broker-dealer based on our own interests in receiving the brokerage and research services from that broker-dealer, rather than solely on our clients' interests in receiving the most favorable execution. However, when selecting broker-dealers that provide brokerage and research services, we are obligated to determine in good faith that the commissions to be paid are reasonable in relation to the value of the brokerage and research services they provide to us. The reasonableness of the commissions will be viewed in terms of the particular transactions or our overall responsibilities to our clients' accounts over which we exercise investment discretion, even though the broker-dealer may be willing to execute transactions at a lower commission.

As a client who has given us investment discretion on your account, you receive benefit from these research services. Trade execution costs may be higher for your or other accounts utilizing those research services than for those accounts not using the research services. We do not receive research services under soft-dollar arrangements with any fixed income brokerage firms.

Brokerage and research services may be used to service any or all of our discretionary advisory accounts, including accounts that do not pay commissions to the broker-dealer relating to the brokerage and research service arrangement. As a result, brokerage and research services including soft dollar benefits may disproportionately benefit some client accounts relative to others. Brokerage and research services obtained through commissions paid by client accounts are shared freely with all portfolio management personnel within our investment team. We do not attempt to allocate soft dollar benefits proportionately among clients or to track the benefits of brokerage and research services to the commissions associated with a particular account.

As a client, you may direct us, in writing, not to use a broker who is an affiliated company.

*Limitations – Commission Rates Paid:*

For accounts where we have investment management discretion, we have negotiated equity commissions with all approved brokers at a standard rate per share so that there is no bias in the selection of the firm. The commission rate for discretionary accounts includes research costs provided by the brokerage firm.

For non-discretionary accounts, we seek a lower trade execution rate since research costs are not included.

*Client Directed Brokerage:*

We do not encourage client directed brokerage but will accommodate a client's request, and you, the client, designate a person to authorize such instructions. When these trade directions are received, we execute the orders promptly and will not combine (block) them with any of our discretionary trades. Since we can't aggregate the trade orders, we may not be able to get an identical execution for you resulting in varying costs.

*Block Trading Procedures for Discretionary Securities:*

Equity trades for the same security on the same day will be combined (blocked) daily whenever possible to ensure that our clients receive the best execution on the trade.

Fixed income trade orders for corporate and US Treasury and Agency issues will be blocked on a weekly basis whenever possible to ensure that our clients receive better pricing and execution due to size of trade.

Trade orders for mortgage-backed securities will be blocked on a monthly basis whenever possible to ensure that our clients receive better pricing and execution due to size of trade.

Trade orders for municipal bond securities are blocked and purchased in minimum amounts of \$1 million whenever possible to facilitate best price and execution.

*Cross transactions policy/procedure:*

We do not process cross trades between accounts. All trading activity is arm's-length through a brokerage firm.

## **Item 17 – Voting Client Securities (Proxy Voting)**

Among the services we provide to you is the voting of proxies on your behalf. Generally, for accounts where we have been granted full investment discretion, we vote the proxies. We elected to contract with an independent third party, Broadridge Financial Solutions, Inc., to vote proxies according to the recommendations of the Glass Lewis & Company, LLC Trust Bank proxy voting guidelines. The guidelines are reviewed annually by our Proxy Voting Committee. However, we retain the on-going right to override the proxy voting recommendations that we do not believe are in the best interest of our clients.

One exception to this is that we will not vote proxies of our affiliated companies to avoid a potential conflict of interest. Another exception occurs if you have specifically directed us that you will retain proxy voting authority on a certain issue held in your account. For these exceptions, the proxies will be sent to you for voting.

Our complete proxy policy is available for you to review. Specific information about our proxy policy and voting records may be obtained by contacting us at the address, telephone, or email listed on the cover page of this report to the attention of the Proxy Administrator.

## **Item 18 – Financial Information**

Generally, we do not require or solicit prepayment of fees from our clients in advance of performing our services. See Item 5 for a discussion of our Fees and Compensation.



## **Item 19 – Requirements for State-Registered Advisers**

We are not currently registered with any state securities authorities.