

Part 2A of Form ADV: Firm Brochure

ARP Advisors

Attn: Andrew Paolillo

46 Josephine Avenue #1

Somerville, MA 02144

www.arpadvisors.com

Andrew@arpadvisors.com

(516) 398-0615

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This brochure provides information about the qualifications and business practices of ARP Advisors. If you have any questions about the contents of this brochure, please contact us at (516) 398-0615 or Andrew@arpadvisors.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. ARP Advisors has filed paperwork in order to become registered with the SEC; however, registration does not imply a certain level of skill or training.

Advisory Business

ARP Advisors offers a comprehensive asset management service that integrates the client's investment securities portfolio into the overall strategic plan of the institution. Specific advice is given on equities, fixed income, and options on a nondiscretionary basis. Further advice is given on borrowing plans, deposit strategies, capital management and broad asset allocation issues. Client objectives are established in consultation with the client and are updated through regular meetings when appropriate and periodically to meet changes in the client's requirements. ARP Advisors places execution orders with brokers for specific securities or advises clients that such transactions are appropriate. In placing such transactions, or advising their execution, ARP Advisors considers the objectives of the client, limitations or restrictions in underlying documents (e.g. policies,) as well as applicable local and federal law, the client's ability to tolerate risk, liquidity needs, tax status, as well as any special instructions established by the client. Clients may impose restrictions on investing in certain securities or types of securities.

Andrew Paolillo founded ARP Advisors in 2013. Previously, Andrew has worked for Rocky Hill Advisors and JWM Investment Advisors, where he was a Portfolio Manager, working with community based financial institutions in managing their investment portfolios, as well as advising on overall interest rate and balance sheet risks. Prior to that, Andrew was employed with JP Morgan and Bear Stearns in New York, New York, serving in multiple roles and gaining valuable experience in the capital markets. Andrew is a graduate of Fordham University, attaining a B.S. in Business Administration with a concentration in Finance. Additionally, Andrew is a Level III candidate in the CFA Program.

Assets under Management as of April 12, 2013

Non-Discretionary: \$ 196,120,585

Discretionary: None

Fees and Compensation

Fees are negotiated approximately once a year based on total assets reported in the client's quarter-end statement of condition. Fees are billed monthly in arrears and are refundable pro-rata in the event of cancellation, if applicable. The schedule below indicates the maximum annual amount that may be charged. ARP Advisors may also bill reasonable travel expenses for the previous quarter. There are no additional fees associated with services provided. Either party upon written notice may terminate the agreement without penalty.

<u>BANK ASSET SIZE</u>		<u>BANK ASSET SIZE</u>	
(IN MILLIONS)	<u>FEE</u>	(IN MILLIONS)	<u>FEE</u>
50-74	\$ 28,000	725-749	\$ 82,000
75-99	\$ 31,500	750-774	\$ 83,500
100-124	\$ 35,000	775-799	\$ 84,500
125-149	\$ 38,500	800-824	\$ 86,000
150-174	\$ 42,000	825-849	\$ 87,000
175-199	\$ 45,500	850-874	\$ 88,500
200-224	\$ 49,000	875-899	\$ 89,500
225-249	\$ 52,000	900-924	\$ 91,000
250-274	\$ 55,000	925-949	\$ 92,000
275-299	\$ 57,000	950-974	\$ 93,000
300-324	\$ 58,500	975-999	\$ 94,000
325-349	\$ 60,000	1000-1099	\$ 97,000
350-374	\$ 61,500	1100-1199	\$ 100,000
375-399	\$ 63,000	1200-1299	\$ 104,000
400-424	\$ 64,500	1300-1399	\$ 108,000
425-449	\$ 66,000	1400-1499	\$ 112,000
450-474	\$ 67,500	1500-1599	\$ 116,000
475-499	\$ 69,000	1600-1699	\$ 120,000
500-524	\$ 70,500	1700-1799	\$ 123,000
525-549	\$ 72,000	1800-1899	\$ 126,000
550-574	\$ 73,500	1900-1999	\$ 129,000
575-599	\$ 74,500	2000-2199	\$ 136,000
600-624	\$ 76,000	2200-2399	\$ 142,000
625-649	\$ 77,000	2400-2599	\$ 149,000
650-674	\$ 78,500	2600-2799	\$ 156,000
675-699	\$ 79,500	2800-2999	\$ 162,000
700-724	\$ 81,000	3000==>	NEGOTIATED

Performance-Based Fees and Side-By-Side Management

This section is not applicable.

Types of Clients

ARP Advisors provides investment advisory services to community-based financial institutions, including commercial banks and savings banks. There are no requirements for opening or maintaining an account, such as a minimum account size.

Methods of Analysis, Investment Strategies and Risk of Loss

The investment management process considers the needs of each individual client, and also the economic environment and investment characteristics. By developing an in-depth knowledge of these three components, ARP Advisors recommends investment strategies believed to be appropriate and suitable for its clients. Investing in securities involves risk of loss that clients should be prepared to bear and these risks may include the following:

- Interest rate risk
- Prepayment risk
- Reinvestment risk
- Market risk
- Credit risk
- Liquidity risk
- Event risk

ARP Advisors considers the asset/liability position of its clients when developing strategies and making specific investment recommendations. As a general rule, the firm recommends strategies that lessen the client's exposure to balance sheet risk. The management of each client's fixed-income portfolio is driven by balance sheet needs, reflecting the institution's tolerance for risk and income requirements. ARP Advisors stresses the importance of diversification. In recommending sectors and individual securities, the firm considers duration targets, sector weighting, and cash flow characteristics. Management of common stock portfolios reflects a fundamental analysis approach, with an emphasis on quality and safety. ARP Advisors focuses on dividend-paying companies that are likely to produce increasing income over time. Capital appreciation is also a consideration, though not the primary objective. The firm uses

independent research in order to evaluate fundamental value and a technical filter to determine relative value.

Disciplinary Information

This section is not applicable.

Other Financial Industry Activities and Affiliations

This section is not applicable.

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

Pursuant to SEC rule 204A-1, ARP Advisors has adopted a code of ethics that, at a minimum, includes a standard of business conduct reflecting its fiduciary obligations, the requirement that employees comply with applicable federal securities laws, the requirement that employees report any violations of the company's code of ethics promptly, and provisions requiring that each employee be provided with a copy of the code of ethics and any amendments. A copy of the code of ethics will be made available to any client or prospective client upon request. If any employee of ARP Advisors recommends to clients, or buys or sells for client accounts, securities in which the employee of ARP Advisors has a material financial interest, then this activity will be disclosed to the client promptly. Such occurrences are remote and present limited opportunity for conflicts or risk to the client. Employees may purchase and sell securities for their personal accounts. They may not purchase securities until recommendations have been made to clients allowing them an opportunity to establish positions in the securities. Conversely, sales are restricted until clients have had an opportunity to liquidate or reduce their positions in such securities. Such occurrences are remote and present limited opportunity for conflicts or risk to the client. Each employee is required to keep a quarter-end log of all personal securities transactions.

Brokerage Practices

The selection of brokers for the execution of client transactions is agreed upon at the time an advisory agreement is executed with a client. From such a list, ARP Advisors approaches a number of brokers to obtain the most favorable price for the client in each transaction and considers all factors deemed relevant. Such factors include security price, the breadth of the market for the security, the financial condition and execution capability of the broker, and the reasonableness of the commission, if any, for the transaction. Research provided by all brokers is used for the benefit of all accounts to the extent that such research is useful. Brokers provide research without any expectation of further business dealings. This material is weighed against the services or advice purchased from independent providers such as S&P and Value Line. Company policy prohibits the use of "soft dollar" arrangements to obtain research or services. ARP Advisors does not receive client referrals from broker-dealers in exchange for selecting or recommending said broker-dealers. Clients are permitted to direct the use of a particular broker-dealer for a transaction at the risk of not receiving the most favorable price for the transaction.

From time to time, ARP Advisors will aggregate orders to achieve more favorable pricing for clients, or to provide clients with a wider range of product offerings.

Review of Accounts

ARP Advisors works with its clients to develop an interactive plan for positioning the investment portfolio at specific target dates, which complements the institution's internal budgeting process. This plan is updated quarterly. The investment plan considers the following factors:

- Portfolio cash flow
- Growth projections
- Lending activity and deposit flows

The firm meets with management on a quarterly basis to review the business climate, the client's asset/liability position, portfolio performance and to discuss investment strategies. Written portfolio reports are prepared and distributed to management and include portfolio characteristics and trends, sector detail, cash flows and credit quality. On a daily basis, the firm communicates with clients regarding specific transactions and emerging issues, including:

- Market update and strategy
- Purchase and sale recommendations
- Trade execution
- Current rate structure and economic commentary

On a monthly basis, the firm provides written reports, including:

- Portfolio pricing
- Credit quality review
- Custom reports

Client Referrals and Other Compensation

This section is not applicable

Custody

This section is not applicable.

Investment Discretion

This section is not applicable.

Voting Client Securities

This section is not applicable.

Financial Information

This section is not applicable.