

PRENTISS SMITH AND COMPANY, INC.

45 Walnut Street
Brattleboro, VT 05301

(800)223-7851

www.socialinvesting.com

December 31, 2013

This brochure provides information about the qualifications and business practices of Prentiss Smith & Company, Inc. If you have any questions about the contents of this brochure, please contact us at (800)223-7851 and/or www.socialinvesting.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.

Prentiss Smith and Co. is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with the information to help you determine to hire or retain an adviser.

Additional information about Prentiss Smith & Company is also available on the SEC's website at www.adviserinfo.sec.gov.

Prentiss Smith and Company, Inc.

Item 2: Material Changes

There have been no material changes since the dissemination of our last Brochure of December 31, 2012.

Our Brochure may be requested by contacting [Wendy Brown](#) at (800)223-7851 or wendy@prentiss-smith.com. Our Brochure is also available on our web site www.socialinvesting.com, also free of charge.

Additional information about [Prentiss Smith and Company](#) is also available via the SEC's web site www.adviserinfo.sec.gov. The SEC's web site also provides information about any persons affiliated with [Prentiss Smith and Company](#) who are registered, or are required to be registered, as investment adviser representatives of [Prentiss Smith and Company](#).

Table of Contents

Item 1: Cover Page	1
Item 2: Material Changes	2
Item 3: Table of Contents	3
Item 4: Advisory Business	4
Item 5: Fees and Compensation	4
Item 6: Performance Based Fees and Side-by-Side Management	5
Item 7: Types of Clients	5
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss	5
Item 9: Disciplinary Information	6
Item 10: Other Financial Industry Activities and Affiliations	6
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	7
Item 12: Brokerage Practices	8
Item 13: Review of Accounts	9
Item 14: Client Referrals	9
Item 15: Custody	9
Item 16: Investment Discretion	9
Item 17: Voting Client Securities	10
Item 18: Financial Information	10

Item 4: Advisory Business

Prentiss Smith and Company, Inc. was founded in 1982 by Prentiss C. Smith, and incorporated in 1984 in Brattleboro, Vermont. The firm is 98% owned by Prentiss C. Smith and his immediate family, with 2% ownership by other individuals.

The objective of our company is to provide individuals and institutions with socially responsible investment management services. As socially responsible investment managers, we take into consideration the societal impact of corporate operations as well as the profit generated for shareholders by corporations.

Although Prentiss Smith and Company has discretion over the buying and selling of clients' assets, in certain instances clients may place restrictions on specific securities in their account as well as prohibiting the purchase of securities within a certain industry or asset class. These limitations may have an effect on the performance of the account.

Prentiss Smith and Company provides portfolio management services to some accounts enrolled in a wrap fee program with their broker. These accounts are not managed any differently than other accounts. Our management fee is calculated by us in the same manner as other accounts, and the wrap accounts are billed accordingly – we do not receive any portion of the wrap fee for our services.

As of 12/31/2013 we managed \$419.68 million on a discretionary basis and \$19.58 million on a non-discretionary basis.

Item 5: Fees and Compensation

The fee charged for investment advisory services is a percentage of the assets under management. The fee may be deducted from the account or we will bill the client directly, if that is the client's preference. The standard fee schedule is 1.00% per annum on amounts up to \$1 million; 0.75% on the next \$4 million; 0.65% on the next \$5 million; 0.55% on the next \$10 million; and 0.50% over \$20 million. Each client's fee arrangement is contained in a written agreement with Prentiss Smith & Co., signed by the client. Fees are negotiable, no ranges have been established. The fee is payable in advance, every three months, based on the account value at the end of the calendar quarter. The per annum rate is divided by four then applied to the market value to arrive at the quarterly assessment. The calculation of the first payment commences with our receipt of assets to manage, unless an alternate arrangement is made. Fee calculation details are sent to the client along with our quarterly report. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. The contract can be terminated at any time by a written or verbal notice from either the client or the advisor. The quarterly fee paid would be refunded on a pro-rated basis upon termination of the contract. Applicant also may advise clients on a consulting basis only, for which we charge \$125 per hour.

In addition to our management fees, clients are charged a brokerage commission on trades executed (please refer to Item 12 of this brochure *Brokerage Practices*) and may also be charged a custodial fee by their non-broker custodian. Applicant may purchase mutual funds for clients, and occasionally a client will bring into his/her portfolio mutual fund shares previously purchased. Client's management fee is based on the entire market value of the account, which includes mutual fund shares. Since client already pays a management fee to the mutual fund company, our additional fee results in the client's paying two management fees on the mutual fund holdings.

Item 6: Performance Based Fees and Side-by-Side Management

We do not assess any management fees based on account performance.

Item 7: Types of Clients

Prentiss Smith and Company provides investment management services to Individuals, Trusts, Estates, Charitable Organizations, and Corporations. The minimum beginning account value is \$700,000.00. This minimum may be waived on new accounts referred by current clients.

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

We view investing as taking part ownership of a business. We analyze a prospective stock purchase as if we were going to buy the entire company, before buying any part of the company for our clients. We are less concerned with the recent strength or weakness of a stock price and more concerned with the longer-term value of the underlying business. Our objective for clients is to build a portfolio of stocks that represent a share of a substantial and growing revenue/profit stream.

We believe that a company's long term success is inexorably linked to a positive relationship between the company and its employees, community, and the environment. While many companies are striving to be better corporate citizens and environmental stewards, we have not found one that is perfect. There is always a balance between positive and negative attributes for any company. Even companies considered icons by many socially responsible investors have issues. Clients hire us to evaluate the weight of the evidence on either side of the social impact scale and make a judgment as to the acceptability of including any given company in their portfolio. If clients disagree with our judgment they are free to let us know. We will customize portfolios by excluding certain companies or entire industries for particular clients if they so request.

In general terms we see the pricing of stocks as a constant struggle between the fundamental math underlying stock values and the shifting of investor psychology. When the mathematical ratios are favorable for a stock and investor psychology is unfavorable, we believe a potential buying opportunity exists. Conversely, when investors grow to love a certain company's stock, and the price runs well ahead of progress at the company, we think it is time to exit the position or at least reduce the size of one's holding. We typically buy stocks when the share price has fallen, volume is subdued, and investor psychology has turned negative toward particular companies.

Our stock evaluation scale (also referred to as our scoring system) is a tool that helps us sift through a large universe of potential stocks, focusing further research on those that appear buyable on a mathematical basis or overvalued to the point where they should be sold. When a stock price appears to be far from what we call equilibrium, further research is carried out. Equilibrium is calculated using five factors; expected earnings growth for a given company, its P/E level, interest rates, overall stock price levels and the relative valuation of a company to industry peers. In further analyzing stocks we consider the market position of the

underlying company, its book value and cash per share, free cash flow and strategy for deployment of cash flow, economic sensitivity of the business, exposure to interest rates fluctuations, and management's ability and integrity. If a stock scores well on our evaluation sale, and we do not find anything within our research that contradicts or undermines that score, we consider the stock for purchase.

When making fixed income investments we have to consider many variables that impact inflation and interest rates. Our objective is to produce a return for clients that exceeds inflation on an after tax basis. We have employed a number of strategies, including inflation indexed treasury bonds, laddered maturities of government agency notes, high-grade municipal bonds, and foreign government bonds, to achieve this goal. There are times when we hold substantial portions of cash or short term paper in accounts, awaiting a change in interest rates.

Investing in securities involves risk of loss that clients should be prepared to bear. Any security, and by extension, any investment portfolio, can decline in value. We take several steps in an attempt to minimize potential losses incurred, while still exposing clients to opportunities for capital appreciation and income generation.

The majority of our clients' accounts holds a balance of equities, fixed income and cash instruments. To the extent that fixed income and equity prices respond differently, and in some cases inversely, to events, we believe that a mix of fixed income and equity investments can enhance the stability of a portfolio.

We typically allocate between one and five percent of a client portfolio to a new equity purchase, but may invest more than five percent in a new purchase on occasion. Clients who have smaller accounts under our management will typically have a greater percentage of their accounts in any given holding. Even though we do not automatically scale back an equity position that has grown in size as a percentage of a client's total portfolio, we do take a hard look at any position that has grown through price appreciation to ten percent or more of an overall portfolio.

We monitor on a daily basis the price movement of equities and fixed income securities that are widely held in client portfolios. We reevaluate a security holding if financial events occur that materially change our underlying investment thesis, or the security drops by twenty percent from our original purchase price. We do not employ a strict stop loss limit on positions held in our clients' accounts, and may hold a security that has declined in value when we believe that our reason for buying the security is still valid.

Item 9: Disciplinary Information

There have been no incidents of criminal or civil action, administrative proceedings before the SEC or SRO proceedings against our firm or any personnel, management or otherwise.

Item 10: Other Financial Industry Activities and Affiliations

Prentiss Smith and Company has no affiliations or arrangements with any financial industry organizations. Our management personnel are registered only as representatives of our firm. Our firm and our management personnel do not receive compensation, directly or indirectly, from any financial industry

organization.

Item 11: Code of Ethics, Participation or interest in Client Transactions and Personal Trading

All supervised persons, defined herein as partners, officers, directors and employees of Prentiss Smith and Company, are required to abide by a standard of conduct that respects the fiduciary obligation that we have to our clients and complies with all federal securities laws. Prentiss Smith and Company will not condone any behavior that is, or could be construed to be, unethical, dishonest or illegal. Supervised persons are forbidden from accepting gifts of any kind from clients. Employees may not serve as director of a publicly traded company without prior approval of Prentiss C. Smith. A copy of our Code of Ethics is available upon request.

Applicant aggregates trades for clients when practicable. Our policy governing the allocation of aggregated trades (also referred to as block trades) is as follows: if a block order is fully executed the allocation of shares will conform to the client allocation sheet drawn up before the trade was entered. All clients trading through the same broker will receive the same average price if the trade is executed at different price points. If a block order is partially executed the shares will be divided amongst clients so that each client receives a meaningful part of the intended allocation. In those cases where the amount of shares purchased or sold is too small to be divided into meaningful lots, the shares will be allocated to clients based on their portfolio structure and investment objectives. If all portfolio factors are equal the shares in a partially filled order will be rotated among clients in an equitable manner.

Prentiss Smith & Co., Inc. household accounts, which include PSC employees as well as spouses and children of employees, may from time to time buy, sell, or hold positions in various securities in which clients may also have a financial interest. Securities trades for PSC household accounts will be either entered separately after all client trades in said security have been completed, or may in certain cases be aggregated with the client trades. If a trade is partially filled, PSC household accounts will not receive any shares from such aggregated trades. PSC household accounts may be included in an aggregated trade if and only if all clients receive their full intended allocation.

All trades, including IPO participation, done outside the trading desk by employees must receive pre-approval from the Company President, Chief Compliance Officer, or their designee, prior to placement of said trades and trade must be executed by the end of the trading day on the day the approval is given. Additionally, all trades done outside the trading desk must be reported to the trading desk within 10 days after the end of the quarter and will be reviewed by the CCO and Prentiss C. Smith to ensure compliance. All employees are required to submit complete reports of all of their securities holdings. This report must be received by the CCO at the time of hire, and annually thereafter, to be received by the CCO not more than 30 days following the end of the calendar year.

It is [Prentiss Smith & Company's](#) policy that the firm will not affect any principal or agency cross securities transactions for client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction.

Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

Employees are strictly forbidden to make either a buy or a sell trade based on insider information. Insider information is deemed to be information that could have a material impact on a company and its stock price, and is not generally known by the public. In the event an employee becomes privy to insider information, he/she must report this information to Prentiss C. Smith, President, immediately and must not disclose this information to any other person.

Item 12: Brokerage Practices

Prentiss Smith and Company may recommend qualified custodians to clients for their approval. PSC is independently owned and not affiliated with any custodian. When recommending a brokerage firm as custodian for a client's assets we consider our ability to negotiate lower commission rates with said broker/custodian, our ability to aggregate trades for a larger number of clients at said broker/custodian, best execution of trades we enter on behalf of clients, our ability to buy securities from firms other than the broker/custodian and have them delivered to the clients' accounts (called a trade away), commission volume discounts that may accrue to clients, and operational services, such as web access and on line banking.

When negotiating brokerage fees we consider all aspects of brokerage firm services, including its information technology and reporting systems, its ability to execute orders in a timely fashion, the trading ability of its traders or brokers, availability of its personnel, particularly during periods of heavy market activity, and its back office capabilities, and research services. Research consists of reports on various companies and reports on economic projections pertaining to the overall economy. This research may be used in servicing some accounts that do not do commission business with the firm providing such research. We try to negotiate low commission rates for our clients while obtaining brokerage services that we deem valuable to our management of client accounts.

Directed brokerage relationships may occur if a client requests to work with a specific firm, usually one with whom they have an established relationship. In those instances, all trades for that client would be placed with the requested broker. Directed brokerage relationships also occur in wrap account programs where all trades go through the brokerage firm sponsoring the wrap program. In cases of directed brokerage, clients should be aware that our ability to negotiate lower commissions, aggregate trades, achieve best trade execution, have access to certain securities (in particular certain bonds), receive certain services, or get volume discounts for clients, may be limited or compromised by such directed brokerage relationships.

Applicant conducts an annual analysis of commission rates paid on trades through all brokers. Clients will be contacted and apprised of the options available if their commission rates are out of line with those paid by our clients through other brokers or, in some instances, the same broker.

From time to time we may purchase a security from a broker other than the custodial broker and transfer this purchase into a client's account. This is called a trade-away and is done when the custodial broker is unable to obtain a particular security (usually a bond) that we feel is important to the structure of the client's account. The cost of this service is \$25.00, charged by the clients' custodian for processing the trade-away transaction.

Item 13: Review of Accounts

The members of the team that review accounts are Prentiss C. Smith , President and portfolio strategist, Prentiss R. Smith, Director of Equity Research and portfolio analyst, Laurie Barrett, Director of Client Relations and Penny Kaufman, account administrator. Prentiss C. Smith and Prentiss R. Smith are responsible for research on companies and determine the timing of stock and bond transactions. Members of the team analyze the structure of client portfolios and track the performance of accounts, bearing in mind the overall objective of each client. The final decisions to buy or sell positions are made by Prentiss C. Smith and Prentiss R. Smith. Members of the team review the client accounts under their purview on a monthly basis. Additionally, Prentiss C. Smith and Prentiss R. Smith perform a monthly review of positions held by only one or a small number of clients. Decisions to hold or sell these not-widely owned securities are based on the particular stock valuation, taking into account any restrictions put on the asset by the client(s).

Clients receive monthly position and transaction reports from their custodian, and quarterly portfolio evaluation reports from us. Our report shows the value of the account, security positions held, the percentage and dollar change from the cost of these positions, gains or losses taken during the quarter and the performance record for the account while under the management of Prentiss Smith and Company. In addition to the reports, the client receives trade confirmations from the custodian institution. Our quarterly reports to clients also state the advisory fee the client paid to us, custodial fee paid to custodian, dividends and interest received, deposits and withdrawals made, and accrued interest that has accumulated on bond positions.

Item 14: Client Referrals

Prentiss Smith and Company does not compensate any person for client referrals.

Item 15: Custody

Although we do not have custody of client funds, all of our clients' custodians provide a monthly statement directly to the clients as well as providing us with one. We reconcile our system to the custodians' statements monthly, noting, researching and correcting any discrepancies. Additionally, we provide a quarterly statement to the clients and we strongly urge our clients to compare the two separate statements that they receive.

Item 16: Investment Discretion

Prentiss Smith and Company exercises full discretion over the buying and selling of clients' assets in a manner consistent with the stated investment objectives for the particular clients for which it advises. Clients must sign a Discretionary Trading Authorization when they enter into a management relationship with us. In certain instances clients may place restrictions on specific securities in their account as well as prohibiting the purchase of securities within a certain industry or asset class. These limitations may have an adverse effect on the how performance of the applicable security affects the performance of the account.

Item 17: Voting Client Securities

In addition to investment management of our clients' assets, Applicant votes all proxy ballots for corporate actions, reorganizations and resolutions for those clients that have delegated this authority to us. A copy of our policies and procedures relating to proxy voting is available upon request. A client may also request information as to how we have voted with respect to their securities by contacting us directly.

Item 18: Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about [Prentiss Smith and Company](#)'s financial condition. Adviser has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

