

**Part 2A of Form ADV: Firm Brochure**

Item 1 Cover Page

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ADV 2A Dated: March 3, 2014

Carl Domino, Inc. (hereinafter "CDI" or the "Firm") CDI is a corporation formed under the laws of the State of Delaware. The information included in this document has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority.

Registering as an investment advisory firm does not imply a certain level of skill or training.

Item 2 Material Changes

Material changes are defined as alterations in philosophy, style, process, strategy or criteria that no longer reflect the terms that the parties originally intended to serve as the basis of their obligation. These changes are defined internally by CDI management by what would significantly affect a relationship or client.

The following is a Summary of the Material Changes to the Part 2A disclosure brochure for CDI which have occurred since the filing of our last annual updating amendment on January 28, 2013.

We disclosed a new fee schedule for investment management services as follows:

<b>Assets Under Management*</b>	<b>Equities</b>	<b>Fixed Income</b>	<b>Balanced</b>
First \$500,000		Flat 1.00% Fee	
\$500,000 - \$2,000,000	1.00	0.40	Proportional
\$2,000,000 - \$5,000,000	0.85	0.35	Proportional
\$5,000,000 - \$8,000,000	0.75	0.30	Proportional
Over \$8,000,000	Negotiable	Negotiable	Negotiable

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### **Advisory Services**

Advisory services provided by CDI include: discretionary investment management, model portfolio services, sub-advisory services, wealth advisory services, corporate advisory services and financial planning. These services may be offered to clients on an all-inclusive or individual basis. Such services are offered to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, and other business entities. Prior to entering into an agreement for services, CDI and the client will determine the scope of the services to be provided.

### **INVESTMENT MANAGEMENT SERVICES**

CDI provides Investment Management Services on a discretionary basis. As such, the Firm is generally granted full discretion and authority to manage the account. Accordingly, CDI is authorized to perform various functions, at the client's expense, without further approval from the client. Such functions include the determination of securities to be purchased and/or sold, the amount of securities to be purchased and/or sold, the broker-dealer to be used, and the commission rates to be paid. Once the portfolio is constructed, CDI provides continuous supervision and re-optimization of the portfolio as changes in market conditions and client circumstances may require. In limited circumstances, CDI may enter into non-discretionary arrangements with its clients where the Firm obtains client approval prior to the execution of a trade.

If CDI recommends a separate account manager to a Client, such a relationship is carried out under an individual agreement between the Client and a separate account manager. Fees for separate account managers are separate and above those fees charged by CDI. In all cases, CDI acts as a project manager that coordinates the work of the appropriate parties in a manner consistent with the client's investment objectives and will monitor the performance on, at least, a quarterly basis.

CDI will deliver its disclosure brochure –Form ADV Part II – contemporaneously with the client executing the agreement for services. As such, the client may terminate the management agreement within five days of the date of acceptance without penalty. Thereafter, either party, upon 30 days written notice to the other may terminate the management agreement. The management fee will be pro-rated for the quarter in which the cancellation notice was given, inclusive of the 30-day's notice period, and is due and payable. Refunds are not applicable as fees are payable in arrears.

### **MODEL PORTFOLIO SERVICES**

CDI will also provide model portfolio services to institutional clients, e.g. *unaffiliated* registered investment advisers. These services are separate and distinct from investment management services, financial planning, and investment advisory. Clients contracting with CDI for this service will have access to CDI's proprietary model portfolio(s), which CDI will monitor and update as required based on CDI's investment strategy for the given model.

Model Portfolio Services are generally based on an annual term between CDI and the independent investment adviser, and not the individual investors in the model portfolio. As such, CDI has no obligation to monitor the individual client accounts for suitability of investments or rebalancing.

### **SUB-ADVISORY SERVICES**

CDI may also act as sub-advisor for unaffiliated third party investment managers whereby such third parties engage CDI for the purposes of investing the third party advisors client assets. At the present time, a potential client can gain access to our CDI portfolio model through a wrap or sub-advisory program, but it should be noted that the client may incur additional wrap/advisory fees from these programs. This fee could be less or more than CDI's direct client fees.

### **WEALTH ADVISORY SERVICES**

#### **Investment Advisory/Consulting Services**

CDI's Wealth Advisory Services provides Investment Advisory and Consulting Services (the "Advisory Service") that are designed to help clients organize their financial situation and invest their assets based on personal criteria, financial goals, and an investment guideline questionnaire. Such services generally include the following:

- Analysis of the Client's financial condition;
- Recommendations to achieve the Client's financial objectives;
- Implementation of investment strategies concurrent with the Client's financial objectives;
- Consulting on non-securities related investments;
- Periodic review of the performance of the Client's investments, and
- Periodic reallocation of the Client's investments based upon the Client's financial objectives.

A CDI financial advisor will meet with a Wealth Advisory Client to obtain information regarding the Client's investment experience, investment objectives and risk profile. The financial advisor uses investment research and portfolio allocation software to evaluate alternative portfolio designs and assist the Client in selecting the investment strategies consistent with the Client's financial objectives. The final portfolio allocation recommended to a Client may be adjusted from the guidelines of the model portfolio to meet specific Client circumstances.

In connection with developing a prospective portfolio, the Client's existing investments are evaluated to determine whether the allocation and type of such assets meet the objectives set forth in the Client's financial objectives. If the Client so chooses, the financial advisor works with the Client to develop a transition plan in order to reallocate assets.

CDI will provide implementation services as part of the Wealth Advisory Services where CDI takes discretionary authority of the client advisory account. Such authority shall

include the securities and amount of securities to be bought or sold, the broker or dealer to be used, and the commission rates to be paid. If CDI recommends a separate account manager to a Client, such a relationship is carried out under an individual agreement between the Client and a separate account manager. In all cases, CDI acts as a project manager that coordinates the work of the appropriate parties in a manner consistent with the client's investment objectives.

Advisory representatives providing CDI's Wealth Advisory Services may recommend that Wealth Advisory clients utilize CDI's Investment Management Services to manage a portion of, or their entire portfolio.

CDI will deliver its disclosure brochure –Form ADV Part II – contemporaneously with the client executing the agreement for services. As such, the client may terminate the management agreement within five days of the date of acceptance without penalty. Thereafter, either party, upon 30 days written notice to the other may terminate the management agreement.

CDI may contract with other firms to provide certain administrative services to CDI in connection with Advisory Service accounts. Such services may include trade processing, collection of management fees, record maintenance and report preparation.

### **CORPORATE ADVISORY SERVICES**

Corporate advisory services are offered to small business clients to provide corporate strategic and financial services on a consulting and transaction-oriented basis. We offer strategic financial consulting to upper level corporate management, private placement of financing consulting, recapitalizations, and merger, acquisition and divestiture services.

### **FINANCIAL PLANNING SERVICES**

Wealth Advisory and/or Investment Management clients may enter into an agreement whereby CDI will provide financial planning services. Financial planning services are provided on either a broad based or a modular basis, depending on an individual Client's preference and requests. A broad based plan involves a more detailed review of the Client's overall financial position, objectives and goals; a modular plan focuses on a specific area(s) that the Client has requested that the Advisor provide input and review. In the event that a Client selects a modular plan, the Firm's services will be expressly limited to the modules identified by the Client.

Information is obtained through personal interviews with the Client(s), including information regarding each Client's goals, objectives, attitudes toward risk, and investment experience. In the event that information contained in documents (such as account statements) are obtained or provided by the Client, that information will be reviewed and, to the extent it is pertinent, will be incorporated into the financial plan prepared for the Client. The results of the review and analysis by the Advisor are put into a written financial plan that is provided to the Client.

The client may terminate the financial planning agreement within five days of the date of

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execution without penalty to the client. After the five-day period, either party may terminate the agreement by providing written notice to the other party. In the event the client terminates the agreement after five days of execution, the client will be charged for the portion of work performed by CDI.

No other costs outside of the following are charged by CDI. Additionally, there is no transactions based commissions received by CDI on client transactions.

**Investment Management Services:**

The annual fee for investment management services is billed quarterly in arrears, and is based on the market value of the assets in the Client's account on the last day of the quarter\*. Fees will be assessed pro rata in the event the portfolio management agreement is executed at any time other than the first day of a calendar quarter. On an annualized basis, CDI's fees for portfolio management services are based on the following tiered fee schedule:

<b>Assets Under Management*</b>	<b>Equities**</b>	<b>Fixed Income**</b>	<b>Balanced**</b>
First \$500,000		Flat 1.00% Fee	
\$500,000 - \$2,000,000	1.00	0.40	Proportional
\$2,000,000 - \$5,000,000	0.85	0.35	Proportional
\$5,000,000 - \$8,000,000	0.75	0.30	Proportional
Over \$8,000,000	Negotiable	Negotiable	Negotiable

\*Clients who maintained pre-existing relationships with CDI financial advisors prior to their association with the Firm, are billed quarterly in advance for portfolio management services. Clients may receive financial planning services at no extra cost, however CDI may elect to charge Clients separate fees, as stated in a separate agreement and to be negotiated, depending on the complexity and scope of services to be performed.

\*\*Related accounts may be aggregated for fee calculations.

**MODEL PORTFOLIO SERVICES:**

Compensation to CDI is based on a percentage of the independent investment adviser's client assets invested in the model portfolio. However, other fee arrangements may be negotiated for fee of services. In all such cases, applicable fees, fee paying arrangements, and the terms of the engagement will be clearly set forth in an executed agreement between CDI and its client in advance of services rendered.

Model Portfolio Services are generally based on an annual term between CDI and the independent investment adviser, and not the individual investors in the model portfolio. As such, CDI has no obligation to monitor the individual client accounts for suitability of investments, rebalancing, or otherwise.

**SUB-ADVISORY SERVICES:**

CDI may also act as sub-advisor for unaffiliated third party investment managers whereby such third parties engage CDI for the purposes of investing the third party advisors client assets. The fees payable to CDI shall be detailed in the applicable sub-advisory agreement and may vary from relationship to relationship.

**WEALTH ADVISORY SERVICES:**

The fee for each Client is determined by the value of the assets that CDI is managing



for the Client, and other relevant factors, including: the complexity of the Client's investment holdings, financial situation and objectives, nature and extent of investment planning and analysis required, desired frequency of review and monitoring of the Client's investments, geographic differences in fees for similar services, as well as the scope of other services provided.

In determining the fee, CDI may aggregate the assets in accounts of the Client's family members (husband, wife, dependents and related trust accounts) for which CDI is providing the Advisory Service. The Wealth Advisory Services are negotiable and are provided subject to and based upon the following Fee schedule as of January 1, 2011:

Asset Value	Annual Advisory Fee (% of Assets) **
First \$2,000,000	1.00%
\$2,000,001 – \$5,000,000	0.75%
\$5,000,001 – \$10,000,000	0.50%
Over \$10,000,000	Negotiable

\*\* Existing clients of the Firm may pay different/ lower advisory fees than those stated above.

Fees are billed quarterly in arrears. For Clients engaging CDI for the Advisory Service in the middle of a quarter, the fee for such quarter will be calculated on a pro-rata basis, based upon the number of days remaining in the quarter. In calculating fees associated with assets under management, the value of the client's assets will be determined on the last business day of the preceding quarter. The Fee Schedule is subject to change upon prior written notice to the Client.

Clients may grant the firm the authority to receive quarterly payments directly from the Client's account held by a qualified independent custodian. CDI will not have access to client funds for payment of fees without client consent in writing. Further, the qualified custodian agrees to deliver a quarterly account statement directly to the client showing all disbursements from the account. The client is encouraged to review their account statements for accuracy. CDI will receive a duplicate copy of the statement that is delivered to the client.

#### **CORPORATE ADVISORY SERVICES:**

Fees are charged based on the nature of the assignment and a negotiated fee between the client and the Firm.

#### **FINANCIAL PLANNING SERVICES:**

The fee charged is either a fixed fee or an hourly rate as determined pursuant to discussions with the Client. Typically, the Firm charges a fixed fee. Fees are usually determined by estimating the hourly rate and costs associated with producing a plan. In the event that a Client desires to proceed on a fixed fee basis and seeks additional services, that additional work may be billed on an hourly basis or on a fixed fee basis, depending on the services requested, after discussions with the Client. The hourly rate

charged by the Firm for financial planning services range from \$100 to \$300.

CDI provides financial consulting that may include tax compliance services, bill paying, and limited accounting related services. In rare circumstances, CDI will have signatory power of certain of these client's checking accounts; however, these clients are not also investment advisory clients of CDI. These services are primarily provided by Michael J. Dixon, Chief Operating Officer and Chief Compliance Officer, on a limited basis, primarily to long-standing clients of Mr. Dixon's in his capacity as a Certified Public Accountant prior to joining CDI. The services offered, and fees charged for these services are separate and distinct from the advisory services and applicable fees provided by CDI.

**General Information on Advisory Services and Fees:**

CDI does not represent, warranty, or imply that the services or methods of analysis used by the Firm can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines.

The fees charged are calculated as described above and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds, or any portion of the funds of an advisory client (15 U.S.C. §80b-5(a)(1)).

Advice offered by CDI might involve investment in mutual funds and exchange traded funds. Clients are hereby advised that all fees paid to CDI for investment advisory services are separate and distinct from the fees and expenses charged by exchange traded funds and/or mutual funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. Further, there may be transaction charges involved with purchasing or selling of securities. CDI does not share in any portion of the brokerage fees/transaction charges imposed by the custodian holding the client funds or securities. The client should review all fees charged by mutual funds, CDI, and others to fully understand the total amount of fees to be paid by the client.

**Assets Under Management**

As of December 31, 2013, we manage \$239,464,076 in client assets on a discretionary basis, and \$1,183,500 on a non-discretionary basis.

Not Applicable

Item 7      *Types of Clients*

CDI generally provides investment advice to individuals, families, pensions, profit sharing plans, trusts, estates, charitable organizations, corporations and foundations. The firm does not currently have a specific minimum account size to open an account. However, it is the firm's preference to have a \$100,000 minimum for CDI management. The firm recognizes that there are other factors that can be taken into account to open an account for less than \$100,000.

For third party wrap programs the Firm generally requires a minimum account size of \$100,000 to open and maintain an account. Full disclosure of account minimums will be made to all CDI clients participating in a wrap program via delivery of the Form ADV Part II or equivalent wrap fee brochure provided by the program sponsor.

In conducting the analysis of securities, the Firm uses a number of tools, including commercially available software technology, securities rating services, general market and financial information and due diligence reviews. The principle sources of information include commercially available investment services, financial newspapers, various reports of mutual fund performance, prospectuses, and various financial and business magazines, periodicals and issuer-prepared information, including filings with the Securities and Exchange Commission and financial statements. CDI may also use outside consultants in certain circumstances to provide expertise in particular areas of information or analysis.

In regards to Carl Domino, Inc.'s Large Cap Value Equity Program, CDI is a value/yield manager. The professionals at CDI perform fundamental analysis on individual companies that meet the firm's dividend yield criteria. Emphasis is placed on underlying values, free cash flows and the identification of a catalyst that will fuel the eventual realization of those values. Examples of catalysts are merger or management uncertainty, bad press and increasing business opportunity. CDI's universe of securities includes stocks with above average yields because they provide a measure of downside protection and are less volatile than stocks with little or no dividend. Yield also provides an objective characteristic to identify undervalued equities. Currently, the firm will not purchase a stock unless it is yielding 1.8% or higher, and if the yield falls below 0.08% the security is targeted for sale. The firm's buy and sell disciplines are observed, however, there could be certain instances where the basic sell discipline is suspended by the Chief Investment Officer. This could be appropriate when there is an extreme overall market decline. Every effort will be made to communicate the suspension of the sell discipline should it occur. The firm's discipline strategy is designed to produce above-average, long-term results while taking less than market risk. While most of our excess returns are attributable to bottom-up stock selection, companies do not operate independent of the macro-economic environment. Accordingly, our success in active equity management is the result of the application of a disciplined process, centered on exploiting inefficiencies uncovered through extensive research. This investment philosophy has been utilized by our firm's president for over thirty years and has been in use since 1987. All large cap value client portfolios are individually managed for consistency throughout portfolios. These portfolios are constantly monitored by the five analysts covering them. Each portfolio is invested in 45 to 50 stocks, approximately equally weighted. CDI maintains fully invested portfolios and does not believe in market timing. As such, cash is a residual of the investment process. Typically, the firm's portfolios have an average cash reserve of 3-6% and no more than 10%. Note: Because CDI does not follow the GIPS sector classifications for all of the securities held in the large cap value portfolios there could be instances, due to our internal classification of a holding, whereby a sector weighting is more than 20% as stated above. If such an instance does occur, a full explanation of the sector classification difference will be presented. More information on our Buy/Sell discipline is available upon request.

The key differentiating factors of our firm's large cap value equity product are low portfolio turnover and high dividend yield relative to Russell 1000 Value Index. By design, the firm's large cap value investment style is a disciplined strategy which is risk averse in nature and provides above average, long-term returns with less than market risk. As a manager of domestic equities, we are able to offer a superior investment process that uniquely uses dividends as a key selection component. Our advantage and defining characteristic rests in our multi-dimensional approach to stock selection. Many value managers completely eschew macroeconomic implications and focus entirely on stock selection. In contrast, we are a true bottom-up investment manager, using top-down macroeconomic and sector analysis only to set the stage for our fundamental analysis. Our active approach to risk control enables us to construct portfolios with risk characteristics that compare favorably to our benchmarks while increasing the likelihood of superior risk-adjusted returns.

Management by Steven Rothenberg of certain clients Equity portfolios is nearly identical to that of the firm's Large Cap Value Equity (LCV) Program in the scope of research protocol, analysis of prospective securities, investment philosophy, investment strategy, and risk profile for potential losses.

Equity Research and Philosophy :

- 1) In Steven's Hybrid Long-Equity portfolios, he fully relies on fundamental, bottom's-up research, though on a rare occasion, he will employ a top-down approach for thematic purposes. Portfolios hold a moderately over-weighted position-size of his "best ideas" (those owned in his Concentrated portfolios), and the remainder of the portfolio is filled-out with favorite ideas / positions owned in the firm's LCV Program, often according to sector weight preferences. Such portfolios typically hold between 35-45 issues.
- 2) In Steven's Concentrated Long-Equity portfolios, he fully relies on fundamental, bottom's-up research, though on a rare occasion, he will employ a top-down approach for thematic purposes. Portfolios only hold his "best ideas" stock selections, and these portfolios typically hold between 25-35 issues. Despite the slightly higher concentrations, the equity risk parameters of these portfolios have not proven to be significantly greater than that of the LCV Program, as most holdings in these portfolios are Large-Cap and Mid-Cap issues – with only a smattering of Small-Caps.

Management by Bill Kemble of certain clients Equity portfolios:

For equity managed separate accounts, most are smaller and have differing risk tolerances, Bill employs blended fixed income and equities (balanced), or pure equity. The balancing in these accounts represents yield embellishment generally in the mix of equities and bonds, and also provides differing degrees of risk amelioration by not having the higher risks of a pure equity portfolio. In the equity selection of both styles of account diligent research is applied to all equity names and a blend is usually according to the risk tolerances and income needs of the client. The equity portfolios adhere to sector balancing considerations and equity style considerations such as growth, growth at a reasonable price (GARP), and value. Preference is toward large capitalization

market leaders, dividend payers, strong balance sheets and strong and secure managements. His equity management leans to a style blend and to long term holdings. It is long only, no derivatives, options, or mutual funds. Many, but not all positions are LCV top fifty stocks and most, but not all, are large capitalizations.

CDI's Fixed Income investment protocol and philosophy:

For Fixed Income, CDI uses many of the same researching tools as are used in Equity research such as credit rating, balance sheet study, industry top-down and database type research, and fundamental bottoms-up statistical research. But in fixed income research, duration, credit ratings, liquidity, yield based pricing, and full knowledge of the huge over the counter market places and the trading techniques are very important to understand as well as disciplines which are by the nature of the vehicles and process every bit as important as they are different to the equity researcher. Bonds are not readily saleable, except for commercial paper and US Treasuries. The important judgment made about investing in bonds is the old adage about not only getting the receipt of your interest but of your principal as well. To this end, CDI policy arrived at as well by knowing customer risk tolerances requires mainly in investing to get a short 4-6 year duration using ladder type arrangement of like amounts of principal annually maturing from 1 to 7 years. US Treasuries, corporate bonds and notes, and Municipal tax exempt debt are most frequently the fixed vehicles of choice and those rated as investment grade BAA-BBB or better. Of late, short Corporate debt has been used in blended portfolios with other ladder types of debt or with equities. Not only have yields been higher, but the visibility by research into the companies and balance sheets has made it possible to determine the risk of leverage to the company; something that is very difficult to determine in the taxable and non-taxable sovereign and municipal debt. So to reiterate, CDI requires careful research, rating scrutiny, leverage ratio scrutiny and short duration laddering to protect its portfolios against undue risk in fixed investing. Most important is the lengthy experience and disciplines of CDI portfolio managers in applying this practice.

In Steven's Fixed-Income portfolios, he relies on fundamental, bottom's-up research of the balance-sheets, debt-structures and ratings of issuers along with research feedback from the 3 bond specialists with which he regularly consults (GimmeCredit, S&P and Moody's reports). Such portfolios typically hold between 5-15 issues, depending on their gross size of the account. These accounts are managed in a more "traditional" / "conservative" ladder type, buy-and-hold, BBB- or higher rated manner.

Not Applicable



Item 10 Other Financial Industry Activities and Affiliations

Not Applicable

CDI has adopted a Code of Ethics, the full text of which is available to clients upon request. CDI has several goals in adopting this Code. First, the Firm desires to comply with all applicable laws and regulations governing its practice. The management of CDI has determined to set forth guidelines for professional standards, under which all associated persons of CDI are to conduct themselves. CDI has set high standards, the intention of which is to protect client interests at all times and to demonstrate its commitment to its fiduciary duties of honesty, good faith and fair dealing with clients. All associated persons are expected to adhere strictly to these guidelines, as well as the procedures for approval and reporting established in the Code of Ethics primarily related to personal securities transactions, and violations of the Code. In addition, CDI maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by CDI or any person associated with the Firm.

Individuals associated with the Firm may buy or sell – for their personal account(s) - investment products identical to those recommended to clients. It is the expressed policy of CDI that employees shall not have priority in any purchase or sale over clients' accounts.<sup>(1)(2)</sup> Employees must request and receive permission to participate in a trade for a personal account prior to execution of the trade. Client accounts have priority and should be executed prior to any personal account activity. These personal account trades are then monitored and reviewed every day, then compared to month end statements at the end of each month.

Footnotes:

<sup>(1)</sup> This investment policy has been established recognizing that some securities being considered for purchase and/or sale on behalf of CDI's clients trade in sufficiently broad markets to permit transactions by clients to be completed without an appreciable impact on the markets of the securities. Under certain circumstances, exceptions may be made to the policies stated above. Records of these trades, including the reasons for the exceptions, will be maintained with CDI's records in the manner set forth above.

<sup>(2)</sup> The foregoing does not apply to certain types of securities, such as obligations of the U.S. Government, and shares in open-end mutual funds. Open-end mutual funds are purchased or redeemed at a fixed net asset value price per share specific to the date of purchase or redemption. As such, transactions in mutual funds by Advisory Representatives are not likely to have an impact on the prices of the fund shares in which clients invest.

Additionally, CDI does not have any business or financial interests in any securities bought or sold for our client accounts.

CDI does not maintain custody of client assets [that we manage/on which we advise], although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account (see *Item 15 – Custody*, below). Your assets must be maintained in an account at a “qualified custodian,” generally a brokerdealer or bank. We recommend that our clients use Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member SIPC, as the qualified custodian. We are independently owned and operated and are not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when we instruct them to. While we recommend that you use Schwab as custodian/broker, you will decide whether to do so and will open your account by entering into an account agreement directly with the preferred custodian. We do not open the account for you, although we may assist you in doing so. Even though your account may be maintained at Schwab, we can still use other brokers to execute trades for your account as described below.

We seek to select a custodian/broker who will hold your assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services identified by best execution procedures. We consider a wide range of factors, including the following, among others:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds [ETFs], etc.)
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Reputation, financial strength, and stability
- Prior service to us and our other clients

For our clients’ accounts that Schwab maintains, Schwab does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. If it is chosen to trade using a prime broker or trade away, Schwab charges you a flat dollar amount as a “prime broker” or “trade away” fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we have Schwab execute most trades for

your account. We have determined that having Schwab execute most trades is consistent with our duty to seek “best execution” of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above.

CDI maintains relationships with a limited number of other broker-dealers. While a client is free to select the broker or other service provider of his or her choosing, the Firm typically recommends that a client establish an account with a brokerage firm with which CDI has an existing relationship. As to such brokers, CDI might, in certain circumstances, be deemed to be receiving a benefit in the form of research, market information, and/or administrative services. While the Firm believes the service providers recommended by or with which CDI has relationships (including the brokerage firms) provide benefits to the Client, each Client is expressly advised to evaluate any recommended broker or other service provider to ensure that they are acceptable to the Client.

Where a separate account manager is used, the separate account manager may select the broker-dealer to execute the transactions in the portfolio that it is managing, in which case the separate account manager will have the responsibility for negotiation of the amount of commissions charged.

CDI has adopted a Policy on Selecting Brokers and Dealers which requires that “best execution”, adherence to fiduciary duty and compliance with the law are paramount considerations in selecting a broker or dealer to effect transactions for client accounts. In determining whether a particular broker or dealer is likely to provide best execution in a particular transaction, the Firm considers factors that it deems relevant to the broker’s or dealer’s execution capability, including, for example, commission rates, resolution of trade errors, settlement capabilities, trade execution, block trading capabilities, available research, products and services received, and the reputation and financial stability of the broker or dealer.

Best execution is not measured solely by reference to commission rates. Paying a broker a higher commission rate than another broker might charge is permissible if the difference in cost is reasonably justified by the quality of the brokerage services offered. Also, CDI may cause the account to pay a higher commission in recognition of the value of “research services” and additional brokerage products and services a broker-dealer has provided or may be willing to provide, as described more fully below.

Currently CDI has soft dollar agreements with Jones Trading, the Interstate Group and Charles Schwab & Company, by which CDI receives research dollars as soft dollar commissions for computer research software. CDI believes that these arrangements do not cause any significant conflict of interest when choosing a broker. Specific inquiries on these relationships are available upon request.

Beyond a broker’s ability to provide the “best execution,” CDI will also consider the value of “research” and additional brokerage products and services a broker-dealer has provided or will provide. This is known as paying for those services or products with

“soft dollars.” Because such services could be considered to provide a benefit to CDI, the Firm could be considered to have a conflict of interest in allocating client brokerage business. CDI could receive benefits by selecting a particular broker or dealer to execute client transactions, and the transaction compensation charged by that broker or dealer might not be the lowest compensation the Firm might otherwise be able to negotiate.

"Research" products and services we may receive from broker-dealers, which currently include The Interstate Group and Jones Trading, may consist of economic surveys, data, and analyses; financial publications; recommendations or other information about particular companies and industries (through research reports and otherwise); and other products or services (e.g., computer services and equipment, including hardware, software, and data bases) that provide lawful and appropriate assistance to the Firm in the performance of its investment decision-making responsibilities. Consistent with Section 28(e), brokerage products and services consist primarily of computer services and software that permit us to effect securities transactions and perform functions incidental to transaction execution. We use such products and services in the conduct of our investment decision making generally, not just for those accounts whose commissions may be considered to have been used to pay for the products or services.

CDI's use of soft dollars is done in a manner that satisfies the requirements of the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934. That is, before placing orders with a particular broker, CDI determines, considering the factors described above, that the commissions to be paid are reasonable in relation to the value of all the brokerage and research products and services provided by that broker-dealer. In some cases, the commissions charged by a particular broker for a particular transaction or set of transactions may be greater than the amounts another broker who did not provide research services or products might charge.

CDI does not exclude a broker-dealer from receiving business simply because the broker-dealer has not been identified as providing soft dollar research products and services, although the Firm may not be willing to pay the same commission to such broker-dealer as it would have paid had the broker-dealer provided such products and services.

As part of its fiduciary duties to clients, CDI endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by CDI in and of itself creates a potential conflict of interest.

CDI does not use client brokerage to compensate, or otherwise reward, any brokers for client referrals. CDI does, however, have contractual arrangements with one or more employees or outside consultants under which the employee(s)/consultants will receive compensation from CDI for the establishment of new business/client relationships. The compensation is in the form of a referral fee, which is based on a percentage of the advisory or management fee collected. Incentive based remuneration to the

employee/consultant is predicated on the prospect entering into an investment advisory or investment management agreement with CDI. Such Agreements will comply with the requirements set forth in Rule 206(4)-3 of the Investment Advisers Act of 1940, and/or applicable state statutes, to the extent they apply. Under these arrangements, the client does not pay higher fees than CDI's normal/typical advisory or management fees.

Some clients may instruct CDI to use one or more particular brokers for the transactions in their accounts. Clients who may want to direct the Firm to use a particular broker should understand that this may prevent CDI from aggregating trades with other clients and from effectively negotiating brokerage compensation on their behalf. This arrangement may also prevent CDI from obtaining the most favorable net price and execution. Thus, when directing brokerage business, clients should consider whether the commission expenses and execution, clearance and settlement capabilities that they will obtain through their broker are adequately favorable in comparison to those that CDI would otherwise obtain for its clients. Clients are encouraged to discuss available alternatives with their advisory representative.

For discretionary accounts, CDI will generally aggregate orders with respect to a security if such aggregation is consistent with achieving best execution for the various client accounts. When orders are aggregated, each participating account will receive the weighted average share price for all transactions in a particular security effected to fill such orders on a given business day. Transaction costs will be shared pro rata based upon each account's participation in the transaction. Commissions for block transactions are based on the individual account relationship with the qualified custodian and will typically vary on an account by account basis, for example, commissions may be higher or lower predicated on the individual account meeting preset minimums established by the custodian.

The Firm aggregates Client transactions for discretionary accounts, but it does not aggregate transactions for non-discretionary accounts. Accordingly, Clients are hereby advised that non-discretionary accounts may receive different prices for the same securities transactions than discretionary accounts. Additionally, Clients who enter non-discretionary arrangements with the Firm may not be able to buy and sell the same quantities of securities and may be charged higher commissions or fees than Clients who enter into discretionary arrangements.

Client accounts are monitored on a daily basis with a formal review conducted at least quarterly. Additional reviews may be provided at the client's request, based on deposits and/or withdrawals in the account, material changes in the client's financial condition, or at the Portfolio Manager's discretion. Personnel currently performing reviews are: Carl J. Domino, President and Chief Investment Officer, Michael J. Dixon, Chief Compliance Officer, Steven J. Rothenberg, Portfolio Manager and William T. Kemble, Portfolio Manager. The individuals conducting reviews may vary from time to time, as personnel join or leave CDI.

CDI will provide clients with a quarterly progress statement regarding their account, and will make such written quarterly and annual reports concerning the investment management activities pursuant to the terms of the executed agreement for services. Additionally, the custodian holding the client's funds and securities will send the client a confirmation of every securities transaction and a brokerage statement at least quarterly. We do suggest that our Client's review the brokerage statements and compare them to the reporting distributed from CDI.

Wealth Advisory Services – Client accounts are reviewed on a monthly basis predicated on the individualized needs of the client, but no less frequently than annually. In most cases, each relationship is reviewed at every month end. The review is conducted by the investment professional responsible for the account, in association with the Client. There is no minimum number of accounts assigned to the reviewer. The review process consists of each of the following elements: a comparison of the portfolio to the Client's goals and objectives as outlined in the Client's investment policy statement; an evaluation of the investment strategy in light of any change in the client circumstances; a review of the assets in the portfolio; and a discussion with the Client as to rebalancing the portfolio, as necessary. Clients may request that their accounts be reviewed more often than on an annual basis. Any additional review may be subject to additional charges.

We receive an economic benefit from Schwab & Fidelity in the form of the support products and services it makes available to us and other independent investment advisors whose clients maintain their accounts at Schwab or Fidelity. These products and services, how they benefit us, and the related conflicts of interest are described above (see *Item 12 – Brokerage Practices*). The availability of products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

Schwab also makes available to CDI other products and services that benefit CDI but may not benefit its Client accounts. Some of these other products and services assist CDI in managing and administering Client accounts. These products and services include software and other technology that: provide access to Client account data (such as trade confirmations and account statements); facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts); provide research, pricing information, and other market data; facilitate payment of CDI's fees from Client accounts and assistance with back-office functions, recordkeeping, and Client reporting. Generally, many of these services may be used to service all or a substantial number of CDI's Client accounts, including accounts not maintained at Schwab Institutional. Schwab Institutional also makes available to CDI other services intended to help CDI manage and further develop its business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, and marketing. In addition, Schwab may make available, arrange and/or pay for these types of services rendered to CDI by independent third parties. Schwab Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third party providing these services to CDI.

CDI may receive from Fidelity, without cost, computer software and related systems support, which allows CDI to better monitor client accounts maintained at Fidelity. CDI may receive the software at no cost, because CDI renders investment management services to Clients that maintain accounts at Fidelity whose aggregate total assets at Fidelity exceed the established minimum required in order for an investment adviser to receive the software without cost. In addition, Fidelity may provide for discounts of other purchased software that permits CDI to better advise the Clients on their investments.

As a fiduciary, CDI endeavors to act in the best interests of its clients. However, CDI's recommendation that clients maintain their assets in accounts at Schwab or Fidelity may be based in part on benefits provided to CDI by the availability of some of the foregoing products and services and not solely on the nature, cost, or quality of custody and brokerage services provided by Schwab or Fidelity, which may create a potential conflict of interest.



Under government regulations, we are deemed to have custody of your assets if, for example, you authorize us to instruct the custodian to deduct our advisory fees directly from your account [or if you grant us authority to move your money to another person's account]. The custodian maintains actual custody of your assets. You will receive account statements directly from your custodian at least quarterly. They will be sent to the email or postal mailing address you provided. You should carefully review those statements promptly when you receive them. We also urge you to compare your account statements to the quarterly reports you will receive from us.

(See Item #4 above for cross-reference)

Generally, clients grant CDI complete discretion over the selection and amount of securities to be bought or sold, the broker or dealer to be used and the commission rates to be paid for their account without obtaining their prior consent or approval.

Wealth Advisory Services - The Firm's investment authority may be subject to specified investment objectives, guidelines, and/or conditions imposed by the client. Clients may amend these limitations as required. Such amendments must be submitted in writing.

Investment Management Services - all clients contracting with CDI for these services utilize CDI's model portfolio and generally do not set any conditions or guidelines on managing these accounts. In limited situations, CDI may manage client accounts, within guidelines requested by the Client, such as restricting individual securities within an industry sector or limitations on additions to concentrated holdings, only to the extent that the ability to effectively and efficiently manage the client's portfolio is not hindered and the performance of the portfolio is not significantly affected. Prior to CDI entering into an engagement with a client for investment management services, an investment representative of CDI will work with the client to determine if their financial circumstances are suitable based on the investment strategy utilized under this platform.

CDI recommends that Clients in need of brokerage and custodial services utilize Fidelity Investments and the Schwab Institutional division of Charles Schwab & Co., Inc., a registered broker-dealer, member SIPC, among others.

Schwab provides CDI with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to CDI, so long as a total of at least \$10 million of CDI client assets is maintained in accounts at Schwab Institutional. Such services are not otherwise contingent upon CDI committing to Schwab any specific amount of business (assets in custody or trading). Schwab's services include brokerage, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or that would require a significantly higher minimum initial investment.

For CDI's client accounts maintained in its custody, Schwab Institutional does not charge separately for custody, but Schwab is compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through Schwab Institutional or that settle into Schwab accounts. CDI does not share in any portion of the commissions/transaction charges imposed by Schwab Institutional. The commissions and/or transaction fees charged by Schwab, Fidelity or any other designated broker-dealer are exclusive of and in addition to CDI's fee.

In general, CDI will determine how to vote proxies based on our reasonable judgment of that vote most likely to produce favorable financial results for our clients. Proxy votes generally will be cast in favor of proposals that maintain or strengthen the shared interests of shareholders and management, increase shareholder value, maintain or increase shareholder influence over the issuer's board of directors and management, and maintain or increase the rights of shareholders; proxy votes generally will be cast against proposals having the opposite effect. However, the Firm will consider both sides of each proxy issue. Consistent with the Firm's paramount commitment to the financial investment goals of its clients, social considerations will not be considered absent contrary instructions by a client.

Conflicts of interest between the Firm or a principal of the Firm and the Firm's clients in respect of a proxy issue conceivably may arise, for example, from personal or professional relationships with a company or with the directors, candidates for director, or senior executives of a company that is the issuer of client securities.

If the Compliance Officer determines that a material conflict of interest exists, the following procedures shall be followed:

- (a) The Firm may disclose the existence and nature of the conflict to the client(s) owning the client securities, and seek directions on how to vote the proxies;
- (b) The Firm may abstain from voting, particularly if there are conflicting client interests (for example, where client accounts hold different client securities in a competitive merger situation); or
- (c) The Firm may follow the recommendations of an independent proxy voting service in voting the proxies.

CDI keeps certain records required by applicable law in connection with its proxy voting activities for clients and shall provide proxy-voting information to clients upon their written or oral request. A copy of CDI's proxy-voting policies are available to clients upon request.

Our firm does not have any financial conditions or impairments that would prevent us from meeting our contractual commitments to you. We do not take physical custody of client funds or securities, or serve as trustee or signatory for client accounts, and, we do not require the prepayment of more than \$1200 in fees six or more months in advance. Therefore, we are not required to include a financial statement with this brochure.

Not Applicable