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**ITEM 1. COVER PAGE FOR PART 2A OF FORM ADV:  
FIRM BROCHURE**

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**JANUARY 2014**



**Green Street Investors**

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This brochure provides information about the qualifications and business practices of Green Street Investors, LLC. If you have any questions about the contents of this brochure, please contact Warner Griswold, Chief Compliance Officer, by telephone at (949) 640-8780 or by email at [wgriswold@greenst.com](mailto:wgriswold@greenst.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.

Additional information about Green Street Investors, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching CRD#: 135143.

Please note that the use of the term "registered investment adviser" and description of Green Street Investors, LLC and/or our associates as "registered" does not imply a certain level of skill or training. You are encouraged to review this brochure and brochure supplements for our firms' associates who advise you for more information on the qualifications of our firm and its employees.

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## ITEM 2. MATERIAL CHANGES TO OUR PART 2A OF FORM ADV: FIRM BROCHURE

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Green Street Investors, LLC is required to advise you of any material changes to our Firm Brochure ("Brochure") from our last annual update, identify those changes on the cover page of our Brochure or on the page immediately following the cover page, or in a separate communication accompanying our Brochure. We must state clearly that we are discussing only material changes since the last annual update of our Brochure, and we must provide the date of the last annual update of our Brochure.

Please note that we do not have to provide this information to a client or prospective client who has not received a previous version of our brochure.

### **Previous Annual Amendment Filing: 01/25/2013**

Since our last annual amendment, Green Street Investors, LLC would like to report the following material changes:

1. Green Street Investors, LLC has a new service, Asset Allocation Model. Please see Item 4 of this Brochure for more details.

Green Street Investors, LLC's Form ADV Part 2A Firm Brochure is available in hard copy or electronic form upon request. Alternatively, you can obtain a copy at <http://www.adviserinfo.sec.gov>, under 'Part 2 Brochures' on the left hand side of the screen.

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## ITEM 4. ADVISORY BUSINESS

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Green Street Investors, LLC is a limited liability company formed under the laws of Delaware and is domiciled in California. Our firm was established in 2005, and we manage real estate equity portfolios for institutional clients on a discretionary basis. We specialize in investment advisory services for pension plans that manage equity securities particularly in publicly traded common equity securities in the real estate industry. We also offer asset allocation models to assist clients in assessing future market outlook, particularly to Trust clients.

Our firm is a wholly owned subsidiary of Green Street Holdings, Inc., which also owns Green Street Advisors, Inc. (GSA) in Newport Beach, CA and Green Street Advisors (UK) Ltd in London, UK. GSA and GSE are equity research firms and have developed a real estate securities research franchise concentrating on publicly traded real estate securities. We will be a research customer of GSA and GSE and will therefore have access to the research and the analysis of GSA and GSE in the same capacity as other research customers. Accounts are traded solely on the recommendations of GSA and stocks that are within GSA's coverage universe. Our firm is in a separate locked office apart from GSA and we do not trade with GSA's trading desk. We will not have an advance notice of potential or actual changes in GSA's or GSE's published securities recommendations to avoid any conflict of interests.

### **Description of the Types of Advisory Services We Offer**

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#### **Investment Supervisory and Management Services:**

The objective of our investment advisory services is to invest in publicly traded common equity securities in the real estate industry. We seek total returns through dividends and capital appreciation, where a fund would invest in approximately twenty to thirty (20-30) securities at any one time. Our investment universe (the type of securities that we invest in) follows GSA's coverage universe, as GSA's research follows publicly traded real estate companies.

Our investment process uses the MSCI US REIT ("RMS") as a benchmark. When we create a portfolio for our clients, we create a portfolio that is sector neutral. For example, a portfolio is constructed so that the sector weightings in the portfolio match the weightings in the benchmark (If Office REITs are 23% of the RMS, then 23% of the portfolio will be invested in Office REITs).

The portfolio is invested in GSA's published BUY and HOLD recommendations. Although we invest in all BUY recommendations, we will only invest in HOLD recommendations under certain circumstances. Trades in the portfolio will occur any time there is a change to GSA's published recommendations, provided that a trade is needed, and the portfolio will be rebalanced accordingly on a monthly basis. At all times, though, the portfolio will have larger sums of money invested in larger, more liquid stocks.

#### **New Issues:**

Occasionally, we may purchase equity securities that are part of an initial public offering ("New Issues") for client accounts, pursuant to FINRA rules. New issues will be allocated to client accounts on a prorated basis weighted by assets under management. Sensitive allocation issues arise when we are

given the opportunity to participate in an offering that is expected to be over-subscribed, or to purchase a limited position in a security that might be appropriate for multiple advisory clients. Because hot issue premiums provide the potential of an immediate profit, and since we may typically receive only a small portion of the allotments sought, we will exercise particular care in the allocation of these securities. However, in the event that clients are not suitable for the IPO, those clients will be excluded from the allocation. In addition, if a client is suitable but was not allocated a particular IPO due to the number of shares that were made available to us, then those clients will receive priority on the next IPO that we receive if the IPO is deemed to be suitable.

### **Proxy Voting/Class Action:**

Another service we provide is that we may vote proxies on your behalf. Our Proxy Administrator is charged with identifying the proxies that we will vote on, voting the proxies in the best interest of our clients, and submitting the proxies promptly and properly.

Our policy is to vote your proxies in the interest of maximizing shareholder value. To that end, we will vote in a way, consistent with our fiduciary duty, which will cause the issue to increase the most or decline the least in value. We will give consideration to both the short and long term implications of the proposal to obtain the most optimal vote.

We have currently identified no conflicts of interest between our client interests and our own interests within our proxy voting process. Nevertheless, if we determine that we are facing a material conflict of interest in voting your proxy, our procedures provide for a Proxy Voting Committee to convene and to determine the appropriate vote. Decisions of the Committee must be unanimous. If a unanimous decision cannot be reached by the Committee, a competent third party will be engaged, at our expense, who will determine the vote that will maximize shareholder value. As an added protection, the third party's decision is binding.

Our complete proxy voting policy and procedures are memorialized in writing and are available for your review. In addition, our complete proxy voting record is available to our clients, and only to our clients. Please contact us if you have any questions or if you would like to review either of these documents.

In the event we do not exercise proxy-voting authority over client securities, then the obligation to vote client proxies shall rest with the client at all times. Clients shall in no way be precluded from contacting us for advice or information about a particular proxy vote. However, we shall not be deemed to have proxy-voting authority solely as a result of providing such advice to a client.

Should we inadvertently receive proxy information for a security held in a client's account, then we will immediately forward such information on to that client, but will not take any further action with respect to the voting of such proxy. Upon termination of our client agreement, we shall make a good faith and reasonable attempt to forward proxy information inadvertently received by us on behalf of the client to the forwarding address provided by the client to us.

### **Asset Allocation Models:**

The objective of our Asset Allocation Model service is to develop and provide to clients, not less often than monthly, a suggested asset allocation model for various Funds based on published research that we receives from Green Street Advisors, Inc., a corporation organized under the laws of California. Each

Model may contain (i) the name of the stocks or ETFs, (ii) the ticker symbol for such stocks or ETFs and (iii) the percentage of the Fund's assets to be allocated to such stocks or ETFs. We provide research and data on the dividend yield, discount/premium to NAV, earnings growth numbers and gearing ratio for the securities in the most recent Models. We also provide commentary on the previous month's activities and future outlook for the publicly traded real estate securities listed on stock exchanges. Clients are responsible for placing any and all trades. This service is strictly non-discretionary.

### **Tailoring of Advisory Services**

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We offer customized advisory services to the individual needs of our clients. Our clients may impose reasonable restrictions on the type of securities we invest in. However, we impose our own limitations when we construct a client's portfolio, so a client may not feel the need to impose any additional restrictions. Our limitations are as follows:

A fund may not:

- (a) Invest more than ten (10%) percent of an account's portfolio value in companies that are not Real Estate Investment Trusts or Real Estate Operating Companies;
- (b) Invest more than ten (10%) percent of an account's portfolio value in securities that are not traded on a national securities exchange, traded over-the-counter, quoted on the NASDAQ National Market, or traded on foreign exchanges;
- (c) Invest more than twenty-five (25%) percent of the account's portfolio value in a single issuer;
- (d) Invest more than ninety (90%) percent of the account's portfolio value in the account's ten largest positions

### **Participation in Wrap Fee Programs**

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We do not offer wrap fee programs.

### **Regulatory Assets Under Management**

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As of December 31, 2013, we manage<sup>1</sup> \$90,335,344 on a discretionary basis and \$0.00 on a non-discretionary basis.

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<sup>1</sup> Please note that our method for computing the amount of "client assets we manage" can be different from the method for computing "assets under management" required for Item 5.F in Part 1A of Form ADV. However, we have chosen to follow the method outlined for Item 5.F in Part 1A of Form ADV. If we decide to use a different method at a later date to compute "client assets we manage," we must keep documentation describing the method we use and inform you of the change. The amount of assets we manage may be disclosed by rounding to the nearest \$100,000. Our "as of" date must not be more than three months before the date we last updated our *Brochure* in response to Item 4.E of Form ADV Part 2A.

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## ITEM 5. FEES & COMPENSATION

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We are required to describe our brokerage, custody, fees and fund expenses so you will know how much you are charged and by whom for our advisory services provided to you. Our fees are generally negotiable.

### **How We Are Compensated for Our Advisory Services**

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#### **Investment Supervisory and Management Services:**

Compensation is derived as both fee income based upon the percentage of assets under management ("Management Fee") and a Performance based fee.

The compensation method is explained and agreed to with the clients in advance before any services are rendered. We charge an annual Management Fee in an amount equal to 0.30% of the assets under management. Investment advisory services begin with the effective date of the client agreement, which is the date the client signs the Investment Advisory Agreement. For that calendar quarter, fees will be adjusted pro rata based upon the number of calendar days in the calendar quarter that the Agreement was effective. Additional contributions and withdrawals will cause an adjustment in the amount of Management Fee charged for the quarter. Fees will be automatically deducted from your managed account. As part of this process, you understand and acknowledge the following:

- a) Your independent custodian sends statements at least quarterly to you showing all disbursements for your account, including the amount of the advisory fees paid to us;
- b) You provide authorization permitting us to be directly paid by these terms;
- c) We send a copy of our invoice to you and a copy of our invoice to the independent custodian at the same time we send the invoice to you;
- d) We send a copy of our invoice to you, which include a legend which urges the client to compare information provided in their statements with those from the qualified custodian.

We reserve the right to adjust the fee schedule for accounts depending on the size and type of account and the services required. In some cases, negotiation of fees may result in different fees being charged for similar services and may be less than the stated fee schedule.

Either we or the client may terminate the Agreement for any reason upon receipt of thirty (30) days written notice. The client is responsible to pay for services rendered until the termination of the Agreement. The client can cancel the Agreement without penalty within the first five (5) business days after the signing of the Agreement.

#### **New Issues:**

Our New Issues service is part of the advisory services we provide and the fees reflect this optional service.

#### **Proxy Voting/Class Action:**

Our Proxy Voting/Class Action service is part of the advisory services we provide and the fees reflect this segment.

### **Asset Allocation Models:**

Our Asset Allocation Model Service is 0.10-2.00% per annum of the average net asset value of each of the Funds. Fees will be directly billed quarterly in arrears based upon the aggregate average daily closing values of each of the Funds in the immediately preceding calendar quarter.

### **Other Fees:**

In addition to our fees, clients will bear the fees and expenses charged by third parties. Those fees will vary, but typically they include custodial and transaction costs paid to custodians, brokers or any other third parties. Clients should review all the fees that we charge, custodians and brokers, and others to fully understand the total amount of fees to be paid.

### **Client's Advisory Fees Are Due Quarterly in Arrears.**

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The Management Fee is payable quarterly in arrears as of the last day of the subsequent month or quarter. If you wish to terminate our services, you need to contact us in writing and state that you wish to cancel the advisory agreement. Upon receipt of your letter of termination, we will proceed to close out your account and charge you a pro-rata advisory fee(s) for services rendered up to the point of termination.

### **Commissionable Securities Sales**

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We do not sell securities for a commission. However, GSA, an affiliate of our firm and member FINRA/SIPC, does sell securities for a commission. The supervised persons of GSA are registered representatives and may accept compensation for the sale of securities or other investment products, including distribution or service ("trail") fees from the sale of mutual funds. Our firm is prohibited to place securities transactions through GSA as a conflict of interest exists as GSA will earn commissions on any securities on any securities transactions it handles. We have established a Code of Ethics. Please see Item 11 of this Brochure for further detail.

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## **ITEM 6. PERFORMANCE-BASED FEES & SIDE-BY-SIDE MANAGEMENT**

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Our firm may charge qualified clients<sup>2</sup> "performance fees" – that is, fees based on a share of capital gains on or capital appreciation of the managed assets of a client.

We may also be entitled to an annual Performance based fee in an amount equal to 10% of net realized and unrealized profits/losses in excess of a benchmark based on the MSCI US REIT Index. Performance based fees are calculated at the end of each fiscal year. Performance based fees may create an incentive for us to make investments that are riskier or more speculative than would be the case in the absence of a performance fee. With a performance based fee arrangement, we receive compensation

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<sup>2</sup> We are currently permitted to charge performance based fees only to clients with at least \$1,000,000 under management with our firm or a net worth of at least \$1.5 million. It is expected that the SEC will revisit this standard in the near future and tie the definition of a qualified client to inflation. It is unclear at this time whether the SEC will grandfather or exempt existing qualified clients being charged performance based fees from a greater financial threshold for meeting the qualified client standard should the definition change.



based on a share of the capital gains upon or capital appreciation of the funds or any portion of the funds of the client.

We have taken several important steps to ensure that our performance based accounts are not favored over our client's non-performance fee based accounts. These steps include:

- 1) A periodic comparison of our performance based and non-performance accounts. Our comparison will entail a review of our ten most profitable and ten least profitable (including unrealized gain or loss) investment decisions based on total return of positions opened and closed for each investment strategy or mandate offered to clients. We keep track of securities ticker symbol, purchase date, sale date, percentage of gain and/or loss, and dollar amount of the gain and/or loss. In the event that we find performance based accounts are being unduly (i.e., consistently) favored over non-performance based accounts, we would take action to address the situation. This could include allowing non-performance based accounts to trade before performance based accounts to the extent practicable, or if the problem persists, not allowing new performance based accounts, waiving our performance based fees or cancelling our performance based fee arrangements altogether and in some cases, termination of firm personnel.
- 2) The use of block trades and allocations are made based on the client's risk tolerance, investment objectives and restrictions. A periodic review of the block trade allocations to detect whether profitable trades are being disproportionately allocated to performance based accounts, while unprofitable trades are being disproportionately allocated to pure-fee based accounts with no performance fee. If our firm detects a problem in the allocation of block trades, our remedies are the same as those outlined above.

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## ITEM 7. TYPES OF CLIENTS & ACCOUNT REQUIREMENTS

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We have the following type(s) of clients:

- Pension and Profit Sharing Plans;
- Bank and Thrift Institutions; and
- Corporations or other businesses.

We do not require a minimum account balance nor do we require a minimum fee for the services we provide.

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## ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES & RISK OF LOSS

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### Methods of Analysis

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*Fundamental Analysis.* We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell). Fundamental analysis does not

attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

*Technical Analysis.* We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement. Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

### **Investment Strategies**

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*Long-term purchases.* When utilizing this strategy, we may purchase securities with the idea of holding them for a relatively long time (typically held for at least a year). A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantages of short-term gains that could be profitable to a client.

*Short-term purchases.* When utilizing this strategy, we may also purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

*Trading.* We purchase securities with the idea of selling them very quickly (typically within 30 days or less). We do this in an attempt to take advantage of our predictions of brief price swings.

We also utilize research reports provided by GSA in determining our BUY and HOLD investment strategies.

#### **Please Note:**

Investing in securities involves risk of loss that clients should be prepared to bear. While the stock market may increase and your account(s) could enjoy a gain, it is also possible that the stock market may decrease and your account(s) could suffer a loss. It is important that you understand the risks associated with investing in the stock market, are appropriately diversified in your investments, and ask us any questions you may have.

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## **ITEM 9. DISCIPLINARY INFORMATION**

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We have determined we have nothing to disclose in this regard. While the SEC and/or State Regulators have not specifically required us to disclose the following matter, we feel you are entitled to know:

Our affiliated firm, GSA, has been found to have been involved in a violation of the SRO's rules and was fined more than \$2,500. The event is already disclosed and settled under GSA's ADV Firm Brochure as well as GSA's ADV I.

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## ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES & AFFILIATIONS

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Our affiliate, Green Street Advisors, Inc., is a registered broker-dealer with the Securities and Exchange Commission and FINRA, and is an investment advisor registered with the Securities Exchange Commission.

Our firm or our management persons have a material relationship with the following related person(s) as follows:

1. broker-dealer, municipal securities dealer, or government securities dealer or broker

As stated above, we are also registered as a broker-dealer that executes customer transactions for commissions. In addition we have a material relationship with Green Street Advisors, UK, Ltd. (London), a Financial Services Authority registered broker-dealer with trading desk activities. This affiliation does not affect the advisory services we provide our clients. Through our review of risk, we firmly believe that this does creates a conflict of interest.

2. other investment adviser or financial planner

We have material arrangements with Green Street Advisors, Inc. and Green Street Europe, an international securities research firm based in London, through its parent company, Green Street Holdings, Inc. As part of our due diligence, we will utilize the research franchise and resources of Green Street Advisors, Inc. and Green Street Europe to determine suitable investments for our clients. We also have an affiliation with Green Street Advisors, UK, Ltd. (London), an international securities research firm (regulated through the Financial Services Authority), through Green Street Holdings, Inc. This relationship does not affect GSI clients and therefore does not create a conflict of interest.

Our principal executive officer, S. Warner Griswold, also serves in an executive position with our parent company, Green Street Holdings, Inc. It is anticipated that Mr. Griswold will devote approximately 75% of his time in this capacity.

John Lutzius, the former president of our firm, is Managing Director of the affiliated Green Street Europe. Mr. Lutzius has worked at our firm and GSA since 1992 as an analyst, in marketing roles and as Chief Executive Officer.

3. banking or thrift institution

Our firm is affiliated with, and at times assists, Eastdil Secured, a real estate brokerage and investment bank, when Eastdil Secured provides investment banking services to companies in our firm's coverage universe. We are never part of the underwriting syndicate, selling group or marketing effort but our firm may receive compensation from Eastdil Secured for consulting services that we provide to Eastdil Secured related to Eastdil Secured's investment banking services. Our firm does not control, have ownership in, or make any business or investment decisions for, Eastdil Secured. This relationship does not affect GSI clients and therefore does not create a conflict of interest.

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## **ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS & PERSONAL TRADING**

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We recognize that the personal investment transactions of members and employees of our firm demand the application of a high Code of Ethics and require that all such transactions be carried out in a way that does not endanger the interest of any client.

Therefore, in order to prevent conflicts of interest, we have in place a set of procedures (including a pre-clearing procedure) with respect to transactions effected by our members, officers and employees for their personal accounts<sup>3</sup>. In order to monitor compliance with our personal trading policy, we have a quarterly securities transaction reporting system for all of our associates.

Furthermore, our firm has established a Code of Ethics which applies to all of our associated persons. An investment adviser is considered a fiduciary. As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. We have a fiduciary duty to all clients. Our fiduciary duty is considered the core underlying principle for our Code of Ethics which also includes Insider Trading and Personal Securities Transactions Policies and Procedures. We require all of our supervised persons to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Upon employment or affiliation and at least annually thereafter, all supervised persons will sign an acknowledgement that they have read, understand, and agree to comply with our Code of Ethics. Our firm and supervised persons must conduct business in an honest, ethical, and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. This disclosure is provided to give all clients a summary of our Code of Ethics. However, if a client or a potential client wishes to review our Code of Ethics in its entirety, a copy will be provided promptly upon request.

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## **ITEM 12. BROKERAGE PRACTICES**

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Although no arrangement currently exists, we are authorized to use "soft dollars" to pay for brokerage and research services. Generally speaking, "soft dollar" arrangements are understood to be ones where products or services other than the execution of securities transactions are obtained by an investment adviser from a broker-dealer in exchange for the direction of client brokerage transactions to the broker-dealer. "Soft dollars" would be that portion of the brokerage commission that exceeds the lowest rate available from other broker-dealers for basic execution services. Payment of this excess amount is frequently referred to as "paying up." If we were to enter into such an arrangement, it will comply with the "safe harbor" provided by Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended, which permits the use of soft dollars from commissions (i.e., "paying up") to obtain "brokerage and research" services that provide lawful and appropriate assistance to the investment adviser in the performance of its investment decision-making responsibilities. We will not accept soft

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<sup>3</sup> For purposes of the policy, our associate's personal account generally includes any account (a) in the name of our associate, his/her spouse, his/her minor children or other dependents residing in the same household, (b) for which our associate is a trustee or executor, or (c) which our associate controls, including our client accounts which our associate controls and/or a member of his/her household has a direct or indirect beneficial interest in.

dollar research in connection with agency transactions on behalf of any registered investment companies or ERISA accounts under management.

When a broker-dealer provides research or other products or services in expectation of brokerage business, it generally suggests the level of business it would like to receive as compensation. In making our brokerage selections, we consider those suggestions as part of our evaluation of the factors described above. Actual transactional business received by a particular broker or dealer during any period may be less than the suggested level, but could also exceed that level. This may be in part because the total brokerage business generated by clients exceeds the aggregate amounts requested by all brokers and dealers from which we receive services and products, and in part because the brokers and dealers that provide such services and products may also provide superior execution and may therefore be the most appropriate broker-dealers for particular transactions regardless of whether or not they provided such services and products. In other cases, a broker or dealer may establish credits based on brokerage commissions paid in the past, which may be used to pay, or reimburse our firm for specified expenses. Brokers and dealers will not be excluded from consideration of receiving brokerage business simply because they have not provided research or other services or products, although we may not have been willing to pay had the broker provided research products and services.

In the course of providing our services, we will execute trades for our clients through broker-dealers. When a client has given us broker discretion, there is no restriction on the brokers we may select to execute client transactions. Our general guiding principle is to trade through broker-dealers who offer the best overall execution under the particular circumstances. With respect to execution, we consider a number of factors, including if the broker has custody of client assets, the actual handling of the order, the ability of the broker-dealer to settle the trade promptly and accurately, the financial standing of the broker-dealer, the ability of the broker-dealer to position stock to facilitate execution, our past experience with similar trades, and other factors which may be unique to a particular order. Based on these judgmental factors, we may trade through broker-dealers that charge fees that are higher than the lowest available fees.

In addition, broker-dealer fees may vary and be greater than those typical for similar investments if we determine that the research, execution and other services rendered by a particular broker merit greater than typical fees. Also, in certain instances, we may execute over the counter securities transactions on an agency basis, which may result in advisory clients incurring two transaction costs for a single trade: a commission paid to the executing broker-dealer plus the market makers mark-up or mark-down.

In certain cases, we may be authorized by you to select the brokers or dealers through whom all transactions are executed for your account(s). In doing so, you acknowledge and agree that:

- if you have signed an investment advisory agreement which directs us to execute transactions for your account through particular brokers and/or dealers, the prices and/or commissions are generally set by those separate firms and disclosed through their commission or pricing schedules.

On the other hand,

- if you have not signed an investment advisory agreement which directs us to execute transactions for your account through particular brokers and/or dealers, we allocate

transactions in good faith to these brokers and/or dealers for execution through markets and at prices and/or commission rates we believe are appropriate;

- we may cause your account to pay a broker or dealer an amount of commission for effecting a transaction in excess of the amount of commission another broker or dealer would have charged for effecting that transaction;
- we would determine in good faith that such amount of commission is reasonable in relation to the value of the brokerage and research services provided by the broker or dealer, viewed in terms of either the particular transaction or our overall responsibilities with respect to the accounts as to which we exercise investment discretion;
- In choosing brokers and dealers, we are not required to consider any particular criteria;
- For the most part, we seek the best combination of brokerage expenses and execution quality but each client acknowledges and agrees that we are not required to select the broker or dealer that charges the lowest transaction cost, even if that broker or dealer provides execution quality comparable to other brokers or dealers;
- In evaluating “execution quality,” historical net prices (after markups, markdowns or other transaction-related compensation) on other transactions are a principal factor.
- Additional factors are also relevant, including, without limitation: the execution, clearance, and settlement and error correction capabilities of the broker or dealer generally and in connection with securities of the type and in the amounts to be bought or sold; the broker’s or dealer’s willingness to commit capital; reliability and financial stability; the size of the transaction; availability of securities to borrow for short sales; and the market for the security.

Under Section 28(e), we may make use of client commission dollars to acquire research and brokerage products and services is not a breach of an investment adviser’s fiduciary duty to clients – even if the brokerage commissions are higher than the lowest available as long as the investment adviser determines, among other requirements, that the commissions are reasonable compensation for both the brokerage services and the research acquired.

In addition to execution quality, we consider the value of various services or products, beyond execution, that a broker-dealer provides to our firm. Selecting a broker-dealer in recognition of such other services and products is known as paying for those services or products with soft dollars. Because many of those services could benefit our firm, we may have a conflict in allocating client’s brokerage business. Under Section 28(e), our use of client’s commission dollars to acquire “research” products and services is not a breach of our fiduciary duty to clients – even if the brokerage commissions (as the term “commissions” may be interpreted from time to time by the Securities and Exchange Commission and its staff) paid are higher than the lowest available so long as (among certain other requirements) we determine that such commissions are reasonable compensation for both the brokerage services and the “research” acquired. For these purposes, “research” means services or products used to provide lawful or appropriate assistance to our firm in making investment decisions for our clients. The types of research, we may acquire include, without limitation: reports on or other information about particular companies or industries; economic surveys and analyses; recommendations as to specific securities; financial publications; portfolio evaluation services; financial database software and services; computerized news, pricing and order-entry services; quotation equipment and other computer hardware for use in running software used in investment decision making; and other products or services that may enhance our investment decision making. The Section 28(e) “safe harbor” applies to the use of a client’s “soft dollars” even when the research acquired is used in making investment

decisions for any of our clients, regardless of whether the “soft dollars” are a result of transactions for a particular client.

### **Soft Dollars**

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All soft dollars arrangements must be approved in writing by our Chief Compliance Officer. A brief description of the purpose of the soft dollar arrangement outlining the benefits received by our firm and clients along with any noted concerns about increased costs to our clients and how such concerns were alleviated will be maintained on file. Our Chief Compliance Officer undertakes a review of parties which propose to pay our firm in soft dollars and analyzes a number of criteria. When deciding whether to approve or disapprove of a soft dollar relationship, the following criteria is reviewed: the broker-dealer's business reputation and financial position and its ability to consistently execute orders professionally and on a cost effective basis, provide prompt and accurate execution reports, prepare timely and accurate confirms, deliver securities or cash proceeds promptly and provide meaningful research services that are useful to us in investment decision-making or other desired and appropriate services. Our Chief Compliance Officer also annually reviews all our soft dollar relationships for appropriateness, benefits to our clients, etc.

At times, a product or service we would like to purchase with soft dollars may have a "mixed use", meaning that a portion of the product is used to provide bona fide research as part of the investment decision-making process and part of it may be used for a non-research purpose. In these situations, our Chief Compliance Officer will make a pro-rata allocation of the cost of such service based on its evaluation of the research and non-research uses of the product. The cost of the product must be paid using both hard and soft dollars, the hard dollars being paid by our firm for the non-research portion and soft dollars for the research portion. For services that have a "mixed use", our Chief Compliance Officer will make a fair and reasonable determination as to how much of the cost may be paid with soft dollars. The basis for such determination shall be documented and will include an explanation as to how the computation of such percentage was reached. Our Chief Compliance Officer's computation shall be retained in our firms' files along with any records used to determine the "mixed use" percentages. Whenever there is a substantial change in the use of "mixed use" services, our Chief Compliance Officer will reevaluate such services. Providers of services that have a "mixed use" will be directed to either bill the paying broker for such service and the broker will be directed to bill us for the non-research portion, or to send separate bills to us and the paying broker for the appropriate amounts.

As a fiduciary, we have an obligation to obtain "best execution" of clients' transactions under the circumstances of the particular transaction. Consequently, notwithstanding the safe harbor provided under Section 28(e), no allocation for soft dollar payments shall be made unless best execution of the transaction is reasonably expected to be obtained.

### **Directed Brokerage**

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We do not permit direct brokerage and our firm does not receive brokerage for client referrals.

When a client agrees to discretionary management, we will be responsible for selecting the amount of securities to be bought and sold as well as the broker-dealer to be used. Thus, clients will generally not be able to direct us in using a particular broker-dealer. The only limitations on the investment authority will be those limitations imposed in writing by the client.



### **Special Considerations for ERISA Clients**

A retirement or ERISA plan client may direct all or part of portfolio transactions for its account through a specific broker or dealer in order to obtain goods or services on behalf of the plan. Such direction is permitted provided that the goods and services provided are reasonable expenses of the plan incurred in the ordinary course of its business for which it otherwise would be obligated and empowered to pay. ERISA prohibits directed brokerage arrangements when the goods or services purchased are not for the exclusive benefit of the plan. Consequently, we will request that plan sponsors who direct plan brokerage provide us with a letter documenting that this arrangement will be for the exclusive benefit of the plan.

### **Aggregation of Purchase or Sale of Securities**

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We perform investment management services for various clients. There are occasions on which portfolio transactions may be executed as part of concurrent authorizations to purchase or sell the same security for numerous accounts served by our firm, which involve accounts with similar investment objectives. Although such concurrent authorizations potentially could be either advantageous or disadvantageous to any one or more particular accounts, they are effected only when we believe that to do so will be in the best interest of the affected accounts. When such concurrent authorizations occur, the objective is to allocate the executions in a manner which is deemed equitable to the accounts involved. In any given situation, we attempt to allocate trade executions in the most equitable manner possible, taking into consideration client objectives, current asset allocation and availability of funds using price averaging, proration and consistently non-arbitrary methods of allocation.

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## **ITEM 13. REVIEW OF ACCOUNTS OR FINANCIAL PLANS**

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Generally, client accounts are reviewed no less frequently than quarterly to ensure that the client is achieving and meeting its financial objectives. Warner Griswold, Chief Compliance Officer, Julia Pence, Portfolio Manager, and other professional staff are responsible for overseeing the day-to-day management of client accounts, including creating and generating investment opportunities, performing preliminary due diligence, managing investments and various administrative duties.

Factors which could trigger a review include, but are not limited to, major news releases regarding any of the investments held by a client, and valuable economic data.

On a quarterly basis, we will furnish each client with a report providing current value, performance, holdings and balances in their accounts. Clients will also receive monthly statements from their custodian.

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## **ITEM 14. CLIENT REFERRALS & OTHER COMPENSATION**

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Please see Item 10 and Item 12 of this Firm Brochure for information regarding the receipt of additional compensation.

We do not compensate any person, either directly or indirectly, for client referrals.



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## **ITEM 15. CUSTODY**

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All of our clients receive at least quarterly account statements directly from their custodians. Upon opening an account with a qualified custodian on a client's behalf, we promptly notify the client in writing of the qualified custodian's contact information. If we decide to also send account statements to clients, such notice and account statements include a legend that recommends that the client compare account statements received from the qualified custodian with those received from our firm.

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## **ITEM 16. INVESTMENT DISCRETION**

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Our clients need to sign a discretionary investment advisory agreement with our firm for the management of their account.

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## **ITEM 17. VOTING CLIENT SECURITIES**

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Please see Item 4 above of this Brochure for details.

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## **ITEM 18. FINANCIAL INFORMATION**

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We are not required to provide financial information in this Brochure because:

- We do not require the prepayment of more than \$1,200 in fees and six or more months in advance.
- We do not take custody of client funds or securities.
- We do not have a financial condition or commitment that impairs our ability to meet contractual and fiduciary obligations to clients.

We have never been the subject of a bankruptcy proceeding.