

Krasney Financial, LLC

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This brochure provides information about the qualifications and business practices of Krasney Financial, LLC (the “Registrant”). If you have any questions about the contents of this brochure, please contact us at (973) 543-6660 or jkrasney@krasneyfinancial.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 Krasney Financial, LLC also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 Material Changes

This brochure contains information about the way Krasney Financial, LLC (“Krasney”), a registered investment adviser with the Securities and Exchange Commission, conducts business. This information is accurate as of the filing date listed on the coversheet.

We are required to provide a listing of any material changes in this updated brochure. Future brochures will contain similar summaries. The following are material changes made to this brochure since our last annual amendment, on April 1, 2013.

- Items 5 and 8 have been amended to include the following information. Krasney has adopted several new investment strategies, as listed below. For details on the fees and risks associated with each, please see the corresponding items mentioned. **Please note** that all strategies listed below are open to clients and prospective clients, with the exception of the Signet Legacy Strategies.
 - Index Option Plus
 - Cash Plus
 - Aggressive Growth
 - Signet Legacy Strategies
- Item 5 has been amended to include the following information. Krasney has determined to adopt a new billing process for certain investment strategies. Previously, all clients were billed quarterly in advance based upon the market value of their total managed assets on the last business day of the previous quarter. Krasney would then adjust for capital flows, with the exception of those flows that would impact the total fee by less than \$1. Going forward, all clients will continue to be billed this way with the exception of those managed in the **Signet Legacy Strategies**. For those clients managed in the Signet Legacy Strategies, Krasney will bill quarterly **in arrears**, based upon the market value of the assets on the last business day of the billing quarter. For these clients, Krasney will adjust for all capital flows that occurred during the billing quarter.
- Items 5 and 12 have been amended to include the following information. Krasney has established a new custodial relationship with Scottrade, Inc. (“Scottrade”). Previously, Krasney would generally recommend that all clients custody their accounts with TD Ameritrade Institutional Service (“Ameritrade”). Going forward, Krasney will recommend that clients either custody their account(s) with Ameritrade or with Scottrade, dependent upon the nature of the client’s relationship and investment objectives. For further discussion of the new Scottrade custodial relationship, please see the corresponding items mentioned.
- Item 12 has been amended to include the following information. Krasney has been invited by TD Ameritrade Institutional Services (“Ameritrade”) to serve on the TD Ameritrade Institutional President’s Council (“Council”). The Council consists of independent investment advisers that advise Ameritrade on issues relevant to the independent adviser community. The Council meets in person on average 1-2 times per year and conducts periodic conference calls on an as needed basis. At times, Council members are provided confidential information about Ameritrade initiatives. Council members are required to sign confidentiality agreements. Ameritrade does not compensate Council members. However, Ameritrade pays or reimburses Krasney for the travel, lodging and meal expenses incurred in attending Council meetings. The benefits received by Krasney or its personnel by serving on the Council do not depend on the amount of brokerage transactions directed to Ameritrade. Clients should be aware, however, that the receipt of economic benefits by Krasney or its related persons in and of itself creates a potential conflict of interest and may indirectly influence Krasney’s recommendation of Ameritrade for custody and brokerage services.

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Item 4 **Advisory Business**

- A. The Registrant is a limited liability company formed on March 31, 2000 in the state of New Jersey. The Registrant became registered as an Investment Adviser Firm in 1987. The Registrant is owned by Jonathan S. Krasney. Mr. Krasney is the Registrant's Managing Member.
- B. As discussed below, the Registrant offers to its clients (individuals, business entities, trusts and pension and profit sharing plans, etc.) investment advisory services, and, to the extent specifically requested by a client, financial planning and related consulting services. The Registrant may also conduct educational seminars and publish newsletters or periodicals for existing clients as well as prospective clients.

INVESTMENT ADVISORY SERVICES

The client can determine to engage the Registrant to provide discretionary investment advisory services for a fee. The Registrant will discuss with the client their personal investment objectives and risk tolerance, among other criteria, and utilize that information to choose the most appropriate asset allocation track, as described in Item 8 of this brochure. The Registrant may determine to provide other services to the extent requested by the client, as described below.

FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)

To the extent requested by a client, the Registrant *may* determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone separate fee basis. Prior to engaging the Registrant to provide planning or consulting services, clients are generally required to enter into a *Financial Planning and Consulting Agreement* with Registrant setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to Registrant commencing services. Registrant may recommend the services of other professionals for implementation purposes. The client is under no obligation to engage the services of any such recommended professional or affiliated entity. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional.

MISCELLANEOUS

Non-Investment Consulting/Implementation Services. To the extent requested by the client, the Registrant *may* provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Neither the Registrant, nor any of its representatives, serves as an attorney or accountant, and no portion of the Registrant's services should be construed as same. To the extent requested by a client, the Registrant may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.), including representatives of the Registrant in their separate registered/licensed capacities as

discussed below. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional.

Sub-Advisory Agreement. Pursuant to its discretionary authority set forth in the investment advisory agreement, the Registrant may engage sub-advisors to assist it with the management of certain client accounts, whereby investment decisions for the account may be made by the sub-advisor in accordance with the terms and conditions of a sub-advisory agreement between the Registrant and the sub-advisor. The fees charged by the corresponding designated broker-dealer/custodian of the client's assets, remain exclusive of, and in addition to, Registrant's ongoing investment advisory fee. Factors, which the Registrant shall consider in engaging sub-advisors, include the client's stated investment objective(s), and the sub-advisor's management style, performance, reputation, financial strength, reporting, pricing, and research. The Registrant may make arrangements with various sub-advisors and, if it deems appropriate, may select a particular sub-advisor to manage a portion of that client's assets based on his or her designated investment objectives. Certain of these advisors may be engaged to employ various risk hedging techniques, including short selling and option strategies. Registrant's clients are advised to inform the Registrant, in writing, if they object to the use of any such risk hedging techniques for their investment portfolios. The investment management fee payable for these sub advisory agreements is in accordance with the fee schedule disclosed in Item 5. Please see Item 5 for details. Clients will only be placed in these sub advisory accounts pursuant to a written Investment Policy Statement agreed upon with the client.

Independent Managers. In certain instances, the Registrant may recommend that a client's investment assets be managed by unaffiliated independent investment managers in accordance with the client's designated investment objective(s). In such situations, the *Independent Manager[s]* shall have day-to-day responsibility for the active discretionary management of the allocated assets. The Registrant shall continue to render investment advisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. Factors which the Registrant shall consider in recommending *Independent Manager[s]* include the client's designated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research. The fees charged by the corresponding designated broker-dealer/custodian of the client's assets are exclusive of and in addition to Registrant's ongoing investment advisory fee. The investment management fees charged by the designated *Independent Manager[s]* are based on their fee schedule and will be split between the *Independent Manager[s]* and the Registrant.

Please Note: Cash Positions. At any specific point in time, depending upon perceived or anticipated market conditions/events (there being **no guarantee** that such anticipated market conditions/events will occur), the Registrant *may* maintain cash positions for defensive purposes. All cash positions (money markets, etc.) shall be included as part of assets under management for purposes of calculating the Registrant's advisory fee.

RETIREMENT PLAN SERVICES

The Registrant may provide additional and ongoing services to a retirement plan (the “Plan”) to the extent requested by the plan sponsor. Those services include, to the extent specifically engaged to do so:

- Prepare a written Investment Policy Statement
- Manage the Plan assets on a discretionary basis and make recommendations for additions/deletions thereto
- Provide reporting and investment reviews on at least an annual basis
- Recommend an appropriate custodian to safeguard the Plan assets
- Recommend a third party administrator/record keeper to administer the Plan
- Recommend an appropriate professional to assist with plan design/legal/tax related matters

The Registrant may act in the capacity as either a: “fiduciary” to the Plan as defined under Section 3(38) of the Employment Retirement Income Security Act of 1974 (“ERISA”); or as a “limited scope fiduciary” as defined under section 3(21) of ERISA.

- C. The Registrant shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will discuss with each client, their particular investment objective(s). The Registrant shall allocate each client’s investment assets consistent with their designated investment objective(s). Clients may, at anytime, impose restrictions, in writing, on the Registrant’s services unless the individual client’s relationship with the Registrant deems otherwise (e.g. the Registrant reserves the right to refrain from accepting restrictions on accounts below their minimum size). The Registrant maintains documentation describing the nature of each client relationship, including whether or not that client may impose restrictions on its services.
- D. The Registrant does not participate in a wrap fee program.
- E. As of December 29, 2014 the Registrant had \$529,869,946 in regulatory assets under management on a discretionary basis.

Item 5 Fees and Compensation

- A. The client can determine to engage the Registrant to provide discretionary investment advisory services for a fee. These fees are outlined below.

INVESTMENT ADVISORY SERVICES

If a client determines to engage the Registrant to provide discretionary investment advisory services on a fee basis, the Registrant’s annual investment advisory fee shall be based upon a percentage (%) of the market value and type of assets placed under the Registrant’s management (typically between 0.35% and 1.50%, but the Registrant reserves the right to negotiate this fee) as follows:

AGGRESSIVE GROWTH PORTFOLIO

<u>Market Value of Portfolio</u>	<u>% of Assets</u>
First \$500,000	1.10%
\$500,001 and greater	0.90%

ADDITIONAL PORTFOLIOS OFFERED

<u>Strategy Name</u>	<u>% of Assets</u>
Asset Allocation Portfolios	1.00%
Index Option Plus	1.50%
Cash Plus	0.35%
Fixed Income Only	0.50%

*For the Fixed Income Only Portfolios, in the event the client terminates the relationship within the first year, a termination fee may be assessed based on one year's full fee with credit given for any fees paid to date.

Please Note: In March 2014, the Registrant adopted several strategies (High Yield Portfolio, Target Portfolio: ETF, Target Portfolio: Options, Covered Call Strategy) previously employed by another investment adviser, Signet Management USA LLC. These strategies are collectively referred to as the "Signet Legacy Strategies". The Signet Legacy Strategies each have a previously established billing structure agreed upon by each advisory client who is managed in this style. As such, the Registrant has chosen to honor those billing structures for existing advisory clients who are managed in any of the Signet Legacy Strategies. These strategies are not open to new advisory clients.

FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)

To the extent specifically requested by a client, the Registrant *may* determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone fee basis. Registrant's planning and consulting fees are negotiable, but generally range from \$1,500 to \$7,000 on a fixed fee basis, and from \$200 to \$250 on an hourly rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s).

- B. Clients may elect to have the Registrant's advisory fees deducted from their custodial account. Both Registrant's investment advisory agreement and the custodial/ clearing agreement may authorize the custodian to debit the account for the amount of the Registrant's investment advisory fee and to directly remit that management fee to the Registrant. In the limited event that the Registrant bills the client directly, payment is due upon receipt of the Registrant's invoice. The Registrant shall deduct fees and/or bill clients quarterly in advance, except as noted below, based upon the market value of the assets on the last business day of the previous quarter. In calculating its quarterly fee, the Registrant adjusts for capital flows, with the exception of those flows that would impact the fee by less than \$1. **Please Note:** For those clients managed in the Signet Legacy Strategies, the Registrant will deduct fees and/or bill quarterly **in arrears**, based upon the market value of the assets on the last business day of the billing quarter. For these clients, the Registrant adjusts for all capital flows that occurred during the billing quarter.

- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, the Registrant shall generally recommend that TD Ameritrade Institutional Service ("Ameritrade") or Scottrade, Inc. ("Scottrade") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Ameritrade* and *Scottrade* charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). In addition to Registrant's investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses). For further information on the Registrant's brokerage practices, please refer to Item 12 of this Brochure.
- D. As discussed above, Registrant's annual investment advisory fee shall be prorated and paid quarterly, in advance, except as noted below, based upon the market value of the assets on the last business day of the previous quarter. In calculating its quarterly fee, the Registrant adjusts for capital flows, with the exception of those flows that would impact the fee by less than \$1. **Please Note:** For those clients managed in the Signet Legacy Strategies, the Registrant will deduct fees and/or bill quarterly **in arrears**, based upon the market value of the assets on the last business day of the billing quarter. For these clients, the Registrant adjusts for all capital flows that occurred during the billing quarter. The Registrant generally requires an annual minimum fee of \$5,000 for all investment advisory services. However, Registrant, in its sole discretion, may charge a lesser investment management fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

The *Investment Advisory Agreement* between the Registrant and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, the Registrant shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter.

- E. Certain of the Registrant's supervised persons are licensed to sell insurance products and may accept compensation based on the sale of those products, as described below in Item 10C.
1. The recommendation of any of the Registrant's supervised persons to purchase insurance products creates a conflict of interest because it creates an incentive to recommend these products based on compensation received as opposed to the client's needs. The Registrant addresses this conflict by prohibiting its supervised persons from selling insurance products to its clients, thereby eliminating any incentive.
 2. Clients may purchase such insurance products from any agent of their choosing, but may not engage any of the Registrant's supervised persons in this capacity.
 3. The Registrant's primary compensation is through investment advisory fees, and not through commissions of any kind.
 4. This item is not applicable.

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

The Registrant does not charge performance-based fees.

Item 7 Types of Clients

The Registrant's clients shall generally include individuals, high-net worth individuals, business entities, trusts, charitable organizations, and pension and profit sharing plans. The Registrant generally requires an annual minimum fee of \$5,000 for all investment advisory services. The Registrant also generally requires a minimum investment of \$1,000,000 in its Cash Plus Strategy. However, Registrant, in its sole discretion, may charge a lesser investment management fee or waive its minimum investment requirement based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

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

A. The Registrant utilizes the following methods of security analysis:

- Charting - (analysis performed using patterns to identify current trends and trend reversals to forecast the direction of prices)
- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
- Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)

The Registrant utilizes the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)
- Trading (securities sold within thirty (30) days)
- Short Sales (contracted sale of borrowed securities with an obligation to make the lender whole)
- Margin Transactions (use of borrowed assets to purchase financial instruments)
- Options (contract for the purchase or sale of a security at a predetermined price during a specific period of time)

Currently, the Registrant primarily allocates client investment assets among various no-load mutual funds, exchange traded funds (ETFs), fixed income assets and equity securities on a discretionary or non-discretionary basis in accordance with the client's designated investment objective(s).

Asset Allocation Programs- Currently, the Registrant offers the following asset management tracks: Capital Preservation, Conservative Growth & Income, Growth & Income, Growth, Aggressive Growth, Income, Aggressive Income, and Fixed Income Only. The Registrant may also offer custom allocations based on client needs and requests.

Please Note: Investment Risk. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by the Registrant) will be profitable or equal any specific performance level(s).

The Registrant's Aggressive Growth Strategy utilizes the following methods of analysis:

The investment process for the Aggressive Growth Strategy combines top-down value/growth ("Value/Growth"), large/small market capitalization ("Large/Small") and sector ("Sector") allocation with bottom-up stock selection, and includes technical, behavioral and pattern recognition elements. Large/Small and Value/Growth allocations are derived through statistical analysis designed to assess and follow ongoing cyclical evolution of currently prevailing investment preferences. This analysis is overlaid by fundamental evaluation of macro- and micro-economic backdrops that may affect further evolution of market preferences.

Bottom-up analysis is based on quantitative evaluation of reported financial performance by thousands of companies representing various sectors of the U.S. and global economy. This analysis is supplemented by proprietary screening of financial reports for the telltale signs of potential data manipulation by the companies' management. Various third-party research and ratings (Columbine, Value Line, and Investor's Business Daily) contribute to the bottom-up selection process, allowing the investment manager to follow the evolution of investors' views on different companies.

Portfolio risks are considered through disciplined diversification and, for participating accounts, by options protection strategies (buying puts and/or selling covered calls).

- B. The Registrant's methods of analysis and investment strategies do not present any significant or unusual risks, with the exception of its Aggressive Growth Portfolio, which is an individual equity strategy. Please see discussion below for details.

Every method of analysis has its own inherent risks. To perform an accurate market analysis the Registrant must have access to current/new market information. The Registrant has no control over the dissemination rate of market information; therefore, unbeknownst to the Registrant, certain analyses may be compiled with outdated market information, severely limiting the value of the Registrant's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

The Registrant's primary investment strategies - Long Term Purchases, Short Term Purchases, and Trading - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy. Trading, an investment strategy that requires the purchase and sale of securities within a thirty (30) day investment time period involves a very short investment time period but will incur

higher transaction costs when compared to a short term investment strategy and substantially higher transaction costs than a longer term investment strategy.

In addition to the fundamental investment strategies discussed above, the Registrant may also implement and/or recommend – short selling, use of margin, individual stock strategies (such as its Aggressive Growth Portfolio), and/or options transactions. Each of these strategies has a high level of inherent risk. (*See* discussion below).

Short selling is an investment strategy with a high level of inherent risk. Short selling, involves the selling of assets that the investor does not own. The investor borrows the assets from a third party lender (i.e. Broker-Dealer) with the obligation of buying identical assets at a later date to return to the third party lender. Individuals who engage in this activity shall only profit from a decline in the price of the assets between the original date of sale and the date of repurchase. Conversely, the short seller will incur a loss if the price of the assets rises. Other costs of shorting may include a fee for borrowing the assets and payment of any dividends paid on the borrowed assets.

Margin is an investment strategy with a high level of inherent risk. A margin transaction occurs when an investor uses borrowed assets to purchase financial instruments. The investor generally obtains the borrowed assets by using other securities as collateral for the borrowed sum. The effect of purchasing a security using margin is to magnify any gains or losses sustained by the purchase of the financial instruments on margin. **Please Note:** To the extent that a client authorizes the use of margin, and margin is thereafter employed by the Registrant in the management of the client's investment portfolio, the market value of the client's account and corresponding fee payable by the client to the Registrant may be increased. As a result, in addition to understanding and assuming the additional principal risks associated with the use of margin, clients authorizing margin are advised of the potential *conflict of interest* whereby the client's decision to employ margin *may* correspondingly increase the management fee payable to the Registrant. Accordingly, the decision as to whether to employ margin is left totally to the discretion of client.

The use of options transactions as an investment strategy involves a high level of inherent risk. Option transactions establish a contract between two parties concerning the buying or selling of an asset at a predetermined price during a specific period of time. During the term of the option contract, the buyer of the option gains the right to demand fulfillment by the seller. Fulfillment may take the form of either selling or purchasing a security depending upon the nature of the option contract. Generally, the purchase or the recommendation to purchase an option contract by the Registrant shall be with the intent of offsetting/"hedging" a potential market risk in a client's portfolio. **Please Note:** Although the intent of the options-related transactions that may be implemented by the Registrant is to hedge against principal risk, certain of the options-related strategies (i.e. straddles, short positions, etc), may, in and of themselves, produce principal volatility and/or risk. Thus, a client must be willing to accept these enhanced volatility and principal risks associated with such strategies. In light of these enhanced risks, client may direct the Registrant, in writing, not to employ any or all such strategies for his/her/their/its accounts.

The mutual funds in which the Registrant may invest client funds are likely to have differing degrees of risk associated therewith. None of the investments in mutual funds are "risk-free", and certain mutual funds, particularly mutual funds that invest in futures

contracts, stock index futures contracts, options on stock index futures contracts, and options on securities and stock indices, have a substantial amount of risk associated therewith.

Aggressive Growth Portfolio

When it deems appropriate for a client, the Registrant may recommend its Aggressive Growth Portfolio. This strategy has an inherent level of risk that is higher than that of its other strategies due to its concentration and greater potential for volatility. Such risks include, but are not limited to, those set forth below.

Limitations as to Investment Approach. The quantitative methodology reflected in this investment strategy is based, to a substantial extent, upon computer modeling. As with other quantitative trading systems, such systems depend upon back-testing of historical market data. Such historical analysis may indicate probabilities of price movements or relationships which are not necessary or inevitable or which may not necessarily recur in the future in a manner that will support profitable trading strategies. Future market conditions may or may not be sufficiently similar to that of prior markets to render such methodology effective. Investment prices in the future may reflect factors and considerations not present in prior markets. With a quantitative investment approach, individual positions may move against the overall portfolio, due to new information or factors not considered or duly weighted in the original system. Moreover, the methodology also involves elements of subjective analysis and judgment on the part of the investment manager and therefore depends upon that manager's skill and judgment. There can be no assurance that the investment manager will successfully identify investment strategies that fulfill the investment objective of the accounts or that the implementation of such investment strategies will not cause the accounts to experience losses.

Concentration of Investments. The strategy may, at times, be confined to the securities of relatively few issuers. There are no fixed limits regarding concentration as to issuers, industries, industry sectors, portfolio positions or types of investments. By concentrating investments in a small number of large security positions relative to capital, a loss in any such position could materially reduce an account's performance or asset base, to the extent not offset by other gains.

Price Volatility. Stocks and ETFs are inherently volatile. Such volatility may result in the value of an account's assets fluctuating from time-to-time more greatly than that of other investment vehicles which may be more diversified. There can be no assurance that these investment strategies will be effective in protecting the accounts from such price volatility.

Investments with Limited or No Liquidity. Registrant may cause this strategy to take significant positions in particular securities which are relatively large as compared to their trading volume or overall market capitalization. Such positions may at times prove more difficult to sell in a timely or efficient manner and could thus impair to some extent an account's ability to fully realize portfolio gains or limit losses. Registrant does not generally limit investments to issues of any particular minimum capitalization and may, in fact, focus upon smaller capitalization stocks when such securities appear to afford greater appreciation potential. Such stocks often have less liquidity than large capitalization issues.

The Registrant will review its clients' investment objectives and consider clients' individual risk tolerance before making any recommendations described above.

Item 9 Disciplinary Information

The Registrant does not have any legal or disciplinary events to disclose.

Item 10 Other Financial Industry Activities and Affiliations

- A. Neither the Registrant, nor its representatives, are registered or have an application pending to register as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.

C.

- 1. **Licensed Insurance Agents.** Registrant's Principal, Jonathan S. Krasney, and Registrant's representatives Robin Bolton and Amy Johnson are, in their individual capacities, licensed insurance agents. Each of them may recommend the purchase of certain insurance-related products on a commission basis though, as mentioned in Item 5E above, they are prohibited from recommending such products to clients of the Registrant.

- a. **Conflict of Interest:** The recommendation by either Robin Bolton, Amy Johnson or Jonathan S. Krasney that a client purchase an insurance commission product would present a *material conflict of interest*, as the receipt of commissions may provide an incentive to recommend these products based on commissions received, rather than on a particular client's need. To address this conflict, the Registrant prohibits Mr. Bolton, Mr. Krasney, and Ms. Johnson, in addition to all other supervised persons of the Registrant, from recommending such products to its clients.

- 2. **Other Investment Adviser or Financial Planner.**

Registrant owns commercial real estate through two affiliated entities called Zenjon Enterprises, LLC and JHP, LLC. Neither Zenjon Enterprises, LLC nor JHP, LLC conduct any investment related business.

Registrant's supervised persons, Kenneth Matthew Etter and Eugene Yashin, jointly own an entity called Signet Associates, LLC ("Signet"). Signet has a cash solicitation arrangement with the Registrant and is compensated for client referrals to the Registrant. Compensation provided to Signet from the Registrant will not affect the advisory fees charged to clients.

Registrant's supervised person, Stephen Casey, owns an entity called Bonita Capital Management, Inc. ("Bonita"). Bonita has a cash solicitation arrangement with the Registrant and is compensated for client referrals to the Registrant. Compensation provided to Bonita from the Registrant will not affect the advisory fees charged to clients.

- D. The Registrant may recommend sub-advisers and/or independent managers, as discussed above. In the event that the Registrant makes such a recommendation, it will be compensated through the sharing of fees with that sub-adviser or independent manager. These relationships will only be entered into pursuant to a written investment policy statement signed by the client. These relationships create a conflict of interest, because the Registrant has an incentive to recommend them for additional compensation. The Registrant mitigates this conflict by documenting client's investment objectives, ensuring that the recommendations it makes are appropriate for the client's needs, and reviewing the client's objectives periodically to ensure the recommendations remain suitable.

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

- A. The Registrant maintains an investment policy relative to personal securities transactions. This investment policy is part of Registrant's overall Code of Ethics, which serves to establish a standard of business conduct for all of Registrant's Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

The Registrant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Registrant or any person associated with the Registrant.

- B. Neither the Registrant nor any related person of Registrant recommends, buys, or sells for client accounts, securities in which the Registrant or any related person of Registrant has a material financial interest.
- C. The Registrant and/or representatives of the Registrant *may* buy or sell securities that are also recommended to clients. The Registrant and/or representatives of the Registrant may also be included in block trades that occur across client accounts, but will always receive the same average price as client accounts. This practice may create a situation where the Registrant and/or representatives of the firm are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if the Registrant did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of the Registrant's clients) and other potentially abusive practices.

The Registrant has a policy in place to monitor the personal securities transactions and holdings of each of the Registrant's "Access Persons". The Registrant's policy requires that Access Persons provide the Chief Compliance Officer with a written report of their current personal securities holdings and transactions. All Access Persons' personal trading activity will then be reviewed on at least a quarterly basis to ensure that no inappropriate transactions have occurred. Access Persons' trading activity will be

compared to activity in client accounts during the corresponding time period to ensure that clients' best interests are placed first at all times.

- D. The Registrant and/or representatives of the Registrant *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where the Registrant and/or representatives of the firm are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11C, the Registrant has a policy in place to monitor the personal securities transaction and holdings of each of Registrant's Access Persons, which helps to mitigate this risk. In a case where the Registrant bunches client trade orders, it may include employee transactions for the purposes of providing average price to all. This would mitigate the risk of employees receiving preferential pricing over a client.

Item 12 Brokerage Practices

- A. Registrant generally recommends that investment management accounts be custodied at *Ameritrade* or *Scottrade*. Registrant also generally executes trades through the custodian at which the client account is held, although trading may occur through any broker-dealer that Registrant deems beneficial based on, but not limited to, the criteria listed below. Not all investment advisers recommend their clients to use the execution and custodial services of a limited number of firms. *Ameritrade* and *Scottrade's* commissions and transaction fees may be higher than what other broker-dealers charge and this practice could cost clients money. Further, in using only *Ameritrade* and *Scottrade*, Registrant could be unable to achieve the most favorable execution of client transactions. Prior to engaging Registrant to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with Registrant setting forth the terms and conditions under which Registrant shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that the Registrant considers in recommending *Ameritrade*, *Scottrade* (or any other broker-dealer/custodian to clients) include any historical relationship with the Registrant, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Registrant's clients shall comply with the Registrant's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Registrant determines, in good faith, that the commission/transaction fee is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of broker-dealer services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Registrant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Registrant's investment management fee. The Registrant receives the following economic benefits from the broker-dealer/custodians it recommends to clients.

1. Ameritrade Institutional Customer Program

Registrant participates in *Ameritrade's* Institutional Programs (the "*Programs*") and Registrant may recommend *Ameritrade* to clients for custody and brokerage services. TD Ameritrade Institutional ("*TDA Institutional*") is a division of TD Ameritrade, Inc. member FINRA/SIPC/NFA. TD Ameritrade, Inc. is an independent and unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment Advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Registrant receives some benefits from TD Ameritrade through its participation in the *Programs*. There is no direct link between Registrant's participation in the *Programs* and the investment advice it gives to its clients, although Registrant receives economic benefits through its participation in the *Programs* that are not typically available to *Ameritrade* retail investors. These benefits include the following products and services (provided without cost or at a discount): duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing research, technology, and practice management products or services provided to Registrant by third party vendors. *Ameritrade* may also have paid for business consulting and professional services received by Registrant or its related persons. Some of the products and services made available by *Ameritrade* through the *Programs* may benefit Registrant but may not benefit its client accounts. These products or services may assist Registrant in managing and administering client accounts, including accounts not maintained at *Ameritrade*. Other services made available by *Ameritrade* are intended to help Registrant manage and further develop its business enterprise. *Ameritrade* may also pay or reimburse expenses (including travel, lodging, meals and entertainment expenses) for Registrant's representatives to attend conferences or meetings relating to the *Programs* or to *Ameritrade's* advisor custody and brokerage services generally. The benefits received by Registrant or its representatives through participation in the *Programs* do not depend on the amount of brokerage transactions directed to *Ameritrade*. Clients should be aware, however, that the receipt of economic benefits by Registrant or its representatives in and of itself creates a potential conflict of interest and may indirectly influence Registrant's recommendation of *Ameritrade* for custody and brokerage services.

Registrant also receives from *Ameritrade* certain additional economic benefits ("*Additional Services*") that may or may not be offered to any other independent investment advisers participating in the *Programs*.

Ameritrade provides the Additional Services to Registrant in its sole discretion and at its own expense, and Registrant does not pay any fees to *Ameritrade* for the Additional Services. Registrant and *Ameritrade* have entered into a separate agreement ("*Additional Services Addendum*") to govern the terms of the provision of the Additional Services.

Registrant's receipt of Additional Services raises potential conflicts of interest. In providing Additional Services to Registrant, *Ameritrade* most likely considers the amount and profitability to *Ameritrade* of the assets in, and trades placed for,

Registrant's client accounts maintained with *Ameritrade*. *Ameritrade* has the right to terminate the Additional Services Addendum with Registrant, in its sole discretion, provided certain conditions are met. Consequently, in order to continue to obtain the Additional Services from *Ameritrade*, Registrant may have an incentive to recommend to its clients that the assets under management by Registrant be held in custody with *Ameritrade* and to place transactions for client accounts with *Ameritrade*. Registrant's receipt of Additional Services does not diminish its duty to act in the best interests of its clients, including seeking best execution of trades for client accounts.

2. Ameritrade Institutional Advisor Panel

Registrant serves on the TD Ameritrade Institutional Advisor Panel ("*Panel*"). The *Panel* consists of approximately twenty-four independent investment advisors that advise TD Ameritrade Institutional ("TDA Institutional") on issues relevant to the independent advisor community. The *Panel* meets in person on average three to four times per year and conducts periodic conference calls on an as needed basis. Investment advisors are appointed to serve on the *Panel* for two year terms by *Ameritrade*. An investment advisor may serve longer than two years if appointed to additional terms by *Ameritrade* senior management. Registrant's appointment has been appointed to an indefinite term. At times, *Panel* members are provided confidential information about *Ameritrade* initiatives. Panel members are required to sign confidentiality agreements. *Ameritrade* does not compensate *Panel* members. However, *Ameritrade* pays or reimburses Registrant for the travel, lodging and meal expenses Registrant incurs in attending *Panel* meetings. The benefits received by Registrant or its representatives by serving on the *Panel* do not depend on the amount of brokerage transactions directed to *Ameritrade*. Clients should be aware, however, that the receipt of economic benefits by Registrant or its representatives in and of itself creates a potential conflict of interest and may indirectly influence Registrant's recommendation of *Ameritrade* for custody and brokerage services.

3. Ameritrade Institutional Operations Panel

Registrant serves on the TD Ameritrade Institutional Operations Panel ("*Panel*"). The *Panel* consists of approximately twenty-four independent investment advisors that advise TD Ameritrade Institutional ("TDA Institutional") on issues relevant to the independent advisor community. The *Panel* meets in person on average three to four times per year and conducts periodic conference calls on an as needed basis. Investment advisors are appointed to serve on the *Panel* for two year terms by *Ameritrade*. An investment advisor may serve longer than two years if appointed to additional terms by *Ameritrade* senior management. Registrant's appointment has been appointed to an indefinite term. At times, *Panel* members are provided confidential information about *Ameritrade* initiatives. Panel members are required to sign confidentiality agreements. *Ameritrade* does not compensate *Panel* members. However, *Ameritrade* pays or reimburses Registrant for the travel, lodging and meal expenses Registrant incurs in attending *Panel* meetings. The benefits received by Registrant or its representatives by serving on the *Panel* do not depend on the amount of brokerage transactions directed to *Ameritrade*. Clients should be aware, however, that the receipt of economic benefits by Registrant or its representatives in and of itself creates a potential conflict of interest and may indirectly influence Registrant's recommendation of *Ameritrade* for custody and brokerage services.

4. Advisor Direct Referral Program

Registrant may receive client referrals from *Ameritrade* through its participation in *Ameritrade AdvisorDirect* (the “*AdvisorDirect*”). In addition to meeting the minimum eligibility criteria for participation in *AdvisorDirect*, Registrant may have been selected to participate in *AdvisorDirect* based on the amount and profitability to *Ameritrade* of the assets in, and trades placed for, client accounts maintained with *Ameritrade*. *Ameritrade* is a discount broker-dealer independent of and unaffiliated with Registrant and there is no employee or agency relationship between them. *Ameritrade* has established the referral program as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. *Ameritrade* does not supervise Registrant and has no responsibility for Registrant’s management of client portfolios or Registrant’s other advice or services. Registrant pays *Ameritrade* an on-going fee for each successful client referral. This fee is usually a percentage (not to exceed 25%) of the advisory fee that the client pays to Registrant (“Solicitation Fee”). Registrant will also pay *Ameritrade* the Solicitation Fee on any advisory fees received by Registrant from any of a referred client’s family members, including a spouse, child or any other immediate family member who resides with the referred client and hired Registrant on the recommendation of such referred client. Registrant will not charge clients referred through *AdvisorDirect* any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass Solicitation Fees paid to *Ameritrade* to its clients.

Registrant’s participation in *AdvisorDirect* raises potential conflicts of interest. *Ameritrade* will most likely refer clients through *AdvisorDirect* to investment advisors that encourage their clients to custody their assets at *Ameritrade* and whose client accounts are profitable to *Ameritrade*. Consequently, in order to obtain client referrals from *Ameritrade*, Registrant may have an incentive to recommend to clients that the assets under management by Registrant be held in custody with *Ameritrade* and to place transactions for client accounts with *Ameritrade*. In addition, Registrant has agreed not to solicit clients referred to it through *AdvisorDirect* to transfer their accounts from *Ameritrade* or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. Registrant’s participation in *AdvisorDirect* does not diminish its duty to seek best execution of trades for client accounts.

In addition, Registrant may receive additional benefits from participation in *AdvisorDirect*. There is no direct link between Registrant’s participation in the program and the investment advice it gives to its clients, although Registrant receives economic benefits through its participation in the program that are typically not available to *Ameritrade* retail investors. These benefits include the receipt of duplicate client statements; access to a trading desk serving adviser participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Registrant by third party vendors. The benefits received by Registrant or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to *Ameritrade*. As part of its fiduciary duties to clients, Registrant endeavors at all times to put the

interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Registrant or its representatives creates a conflict of interest.

5. Ameritrade President's Council

Registrant serves on the TD Ameritrade Institutional President's Council ("Council"). The Panel consists of independent investment advisors that advise TD Ameritrade Institutional ("TDA Institutional") on issues relevant to the independent advisor community. The Council meets in person on average 1-2 times per year and conducts periodic conference calls on an as needed basis. At times, Council members are provided confidential information about TDA Institutional initiatives. Council members are required to sign confidentiality agreements. TD Ameritrade, Inc. ("TD Ameritrade") does not compensate Council members. However, TD Ameritrade pays or reimburses Registrant for the travel, lodging and meal expenses Registrant incurs in attending Council meetings. The benefits received by Registrant or its personnel by serving on the Council do not depend on the amount of brokerage transactions directed to TD Ameritrade. Clients should be aware, however, that the receipt of economic benefits by Registrant or its related persons in and of itself creates a potential conflict of interest and may indirectly influence Registrant's recommendation of TD Ameritrade for custody and brokerage services.

6. "iRebal"

Registrant considers a number of factors in selecting brokers and custodians at which to locate (or recommend location of) its client accounts, including, but not limited to, execution capability, experience and financial stability, reputation and the quality of services provided. In selecting *Ameritrade* as the broker and custodian for certain of its current and future client accounts, Registrant takes into consideration its arrangement with *Ameritrade* as to obtaining price discounts for *Ameritrade's* automatic portfolio rebalancing service for advisors known as "iRebal".

The standard iRebal annual license fee applicable to Registrant is \$20,000. That fee is subject to specified reductions (and even complete waiver) if specified amounts of client taxable assets are either already on the *Ameritrade* platform or are committed to be placed on it. Specified taxable client assets either maintained on or committed to the *Ameritrade* platform will bring fee reductions of up to 100% per year for each of as many as three years or more.

The non-taxable assets excluded from the maintenance and commitment levels described above are those that constitute "plan assets" of plans subject to Title 1 of the Employee Retirement Income Security Act of 1974, amended, or of plans as defined in Section 4975 of the Internal Revenue Code (which include IRAs).

If Registrant does not maintain the relevant level of taxable assets on the *Ameritrade* platform, Registrant may be required to make a penalty fee payment to *Ameritrade* calculated on the basis of the shortfall.

Although *Registrant* believes that the products and services offered by *Ameritrade* are competitive in the market place for similar services offered by other broker-dealers or custodians, the arrangement with *Ameritrade* as to the iRebal service may affect Registrant's independent judgment in selecting or maintaining *Ameritrade* as the broker or custodian for client accounts.

7. Research and Additional Benefits

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Registrant may receive from *Ameritrade* (or another broker-dealer/custodian) without cost (and/or at a discount) support services and/or products, certain of which assist the Registrant to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by the Registrant may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Registrant in furtherance of its investment advisory business operations. Included within the support services that is obtained by the Registrant from *Ameritrade* is a Bloomberg terminal and Bloomberg's media services which provide the Registrant with real-time and archived financial and market data, pricing, trading, news and communication tools in a single integrated package. The cost of the Bloomberg service is paid directly by *Ameritrade* to Bloomberg, thereby resulting in an economic benefit to the Registrant.

As indicated above, certain of the support services and/or products that *may* be received may assist the Registrant in managing and administering client accounts. Others do not directly provide such assistance, but rather assist the Registrant to manage and further develop its business enterprise.

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at *Ameritrade* as a result of this arrangement. There is no corresponding commitment made by the Registrant to *Ameritrade* or any other any entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as result of the above arrangement.

8. Advisor Access from Scottrade Investment Management Referral Program

Registrant may receive client referrals from *Scottrade Investment Management*, a registered investment adviser affiliated with *Scottrade*, through its participation in the Advisor Access from Scottrade Investment Management Referral Program ("Advisor Access"). *Scottrade* is a custodian and broker-dealer independent of and unaffiliated with the Registrant. *Scottrade Investment Management* has established the referral program as a means of referring its brokerage customers and other investors seeking personal investment management services or financial planning services to independent investment advisors. *Scottrade Investment Management* does not supervise Registrant and has no responsibility for Registrant's management of client portfolios or Registrant's other advice or services. Registrant pays *Scottrade Investment Management* on-going fees for participation in *Advisor Access* as well as for each successful client referral. The fees for participation are fixed ("Participation Fees"), while the fees for client referrals are usually a percentage of the advisory fee that the client pays to Registrant ("Solicitation Fee"). Registrant will not charge clients referred through *Advisor Access* any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass Participation Fees or Solicitation Fees paid to *Scottrade* or *Scottrade Investment Management* on to its clients.

Registrant's participation in *Advisor Access* raises potential conflicts of interest. *Scottrade Investment Management* will most likely refer clients through *Advisor Access* to investment advisors that encourage their clients to custody their assets at *Scottrade* and whose client accounts are profitable to *Scottrade*. Consequently, in order to obtain client referrals from *Scottrade Investment Management*, Registrant may have an incentive to recommend to clients that the assets under management by Registrant be held in custody with *Scottrade* and to place transactions for client accounts with *Scottrade*. In addition, Registrant has agreed not to solicit clients referred to it through *Advisor Access* to transfer their accounts from *Scottrade* or *Scottrade Investment Management* or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. Registrant's participation in *Advisor Access* does not diminish its duty to seek best execution of trades for client accounts.

3. The Registrant does not engage in directed brokerage arrangements.

- B.** To the extent that the Registrant provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless the Registrant decides to purchase or sell the same securities for several clients at approximately the same time. The Registrant may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Registrant's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. If the Registrant does not combine transactions when it has the ability to do so, clients could pay higher brokerage costs.

Item 13 Review of Accounts

- A. For those clients to whom Registrant provides investment supervisory services, account reviews are conducted on an ongoing basis by Registrant's representatives. All investment supervisory and financial planning clients are encouraged to discuss with Registrant his/hers/their/its investment objectives, needs and goals to keep the Registrant informed of any changes regarding same. All clients are encouraged to meet, at least annually, with Registrant to comprehensively review investment objectives and account performance.
- B. The Registrant *may* conduct account reviews on an other-than-periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer/custodian for the client accounts. Those clients whom Registrant provides investment advisory services will also receive a written quarterly report from the Registrant summarizing account activity and performance.

Item 14 Client Referrals and Other Compensation

- A. As referenced in Item 12 above, the Registrant may receive an indirect economic benefit from *Ameritrade* and/or *Scottrade*. The Registrant, without cost (and/or at a discount), may receive support services and/or products from *Ameritrade* and/or *Scottrade*.

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at *Ameritrade* and/or *Scottrade* as a result of this arrangement. There is no corresponding commitment made by the Registrant to *Ameritrade*, *Scottrade* or any other any entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as result of the above arrangement.

- B. Registrant has existing relationships with various solicitors, both affiliated and unaffiliated. If a client is introduced to the Registrant by either an unaffiliated or an affiliated solicitor, Registrant *may* pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from the Registrant's investment management fee, and shall not result in any additional charge to the client. If the client is introduced to the Registrant by a solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of his/her/its solicitor relationship, and shall provide each prospective client with a copy of the Registrant's written Brochure with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between the Registrant and the solicitor, including the compensation to be received by the solicitor from the Registrant.

Item 15 Custody

The Registrant shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer/custodian for the client accounts. Those clients whom Registrant provides investment advisory services will also receive a quarterly report from the Registrant summarizing account activity and performance. Clients are encouraged to compare the custodial statements to those received from the Registrant. The account custodian does not verify the accuracy of the Registrant's advisory fee calculation.

Item 16 Investment Discretion

The client can determine to engage the Registrant to provide investment advisory services on a discretionary basis. Prior to the Registrant assuming discretionary authority over a client's account, client shall be required to execute an *Investment Advisory Agreement*, naming the Registrant as client's attorney and agent in fact, granting the Registrant full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage the Registrant on a discretionary basis may, at anytime, impose restrictions, **in writing**, on the Registrant's discretionary authority. (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to

purchase securities with an inverse relationship to the market, limit or proscribe the Registrant's use of margin, etc).

Item 17 Voting Client Securities

- A. The Registrant does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.
- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact the Registrant to discuss any questions they may have with a particular solicitation.

Item 18 Financial Information

- A. The Registrant does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. The Registrant is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. The Registrant has not been the subject of a bankruptcy petition at any time during the last ten (10) years.