

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



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**02/27/2015**

This brochure provides information about the qualifications and business practices of Deschaine & Company, L.L.C. If you have any questions about the contents of this brochure, please contact us at (618) 397-1002 or [marnie@deschaineandcompany.com](mailto:marnie@deschaineandcompany.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 Deschaine & Company, L.L.C. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 116720.

Registration as an investment adviser does not imply a certain level of skill or training.

## Item 2      Material Changes

This *Firm Brochure*, dated 02/27/2015, provides you with a summary of Deschaine & Company, L.L.C.'s advisory services and fees, professionals, certain business practices and policies, as well as actual or potential conflicts of interest, among other things. This Item is used to provide our clients with a summary of new and/or updated information; we will inform you of the revision(s) based on the nature of the information as follows:

- *Annual Update:* We are required to update certain information at least annually, within 90 days of our firm's fiscal year end (FYE) of December 31. We will provide you with either a summary of the revised information with an offer to deliver the full revised Brochure within 120 days of our FYE or we will provide you with our revised Brochure that will include a summary of those changes in this Item.
- *Material Changes:* Should a material change in our operations occur, depending on its nature we will promptly communicate this change to clients (and it will be summarized in this Item). "Material changes" requiring prompt notification will include changes of ownership or control; location; disciplinary proceedings; significant changes to our advisory services or advisory affiliates – any information that is critical to a client's full understanding of who we are, how to find us, and how we do business.

The following summarizes new or revised disclosures based on the information previously provided in our *Firm Brochure* dated 03/28/2014.

### *Revised Ownership and Designated Officers:*

- Effective in April 2014 and pursuant to the passing of the Firm's founder, Marnie E. Deschaine acquired Mark Deschaine's ownership of Dechaine & Company, L.L.C., increasing her ownership in the firm to seventy-five percent.
- [UPDATE] As of 12/8/2014, Robert Hendricks is no longer a passive Member of Deschaine & Company, LLC. Marnie E. Deschaine acquired his twenty-five (25%) ownership and is now one-hundred (100%) owner of Deschaine & Company, LLC. (See Item 10)
- Brian M. Wieland: Effective in June 2014, Brian Wieland has been appointed as the firm's Chief Compliance Officer.
- William P. Davis: Effective in June 2014, Will Davis has been appointed as the firm's Chief Investment Officer.

### *Registration:*

- As an investment adviser managing more than \$100 million in client assets, Deschaine and Company, L.L.C. (D&C) was deemed to be a large advisory firm and as such, required to transition to registration with the Securities and Exchange Commission in 2014. As of December 31, 2014, D&C is in the process of transitioning to state registration.

### *Updated Regulatory Assets Under Management:*

- Item 4 has been revised to report the amount of client assets being managed as of December 31, 2014.

*Fees and Compensation:*

- The Fee Schedule in Item 5 (Fees and Compensation) has been amended. Existing client fee schedules are not affected.

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## **Item 4      Advisory Business**

Deschaine & Company, L.L.C. (hereinafter "D&C") is an SEC-registered investment adviser with its principal place of business located in Illinois. It should be noted that registration of an investment adviser does not imply a certain level of training or skill. D&C began conducting business in 1999. (Currently transitioning to state registration)

Listed below are the firm's principal shareholders (i.e., those individuals who are executive officers of the firm and/or control 25% or more of this company):

- Marnie E. Deschaine, President & Director of Operations (100% ownership)
- William P. Davis, Chief Investment Officer & Portfolio Manager
- Brian M. Wieland, Chief Compliance Officer & Portfolio Manager

D&C offers the following advisory services to our clients:

### **INVESTMENT SUPERVISORY SERVICES ("ISS")**

#### ***Portfolio Management***

Our firm provides continuous advice to a client regarding the investment of client funds based on the individual needs of the client. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, we develop a client's personal investment policy and create and manage a portfolio based on that policy. During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we also review and discuss a client's prior investment history, as well as family composition and background.

We manage these advisory accounts on a discretionary basis. Account supervision is guided by the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations.

Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company and will generally include advice regarding the following securities:

- Exchange-listed securities
- Mutual fund shares
- United States governmental securities
- Certificates of deposit
- Corporate debt securities (other than commercial paper)
- Securities traded over-the-counter
- Exchange-traded funds (ETFs)
- Municipal securities
- Options contracts on securities

Because some types of investments involve certain additional degrees of risk, they will only be implemented when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability. Please refer to Item 8 for more detailed information regarding our methods of analysis and the investment strategies we may employ in managing client assets.

### **SUB-ADVISORY SERVICES**

From time to time, D&C is engaged in a sub-advisory capacity by an independent registered investment adviser ("IRIA") to provide advisory services to the IRIA.

Generally, we are retained by an IRIA to assist them with the management of the investor's portfolio by providing our portfolio recommendations, which the IRIA may or may not elect to implement in the client's account. D&C does not act as the investment manager for these accounts; we have no discretion over these accounts of the IRIA and do not effect the transactions made pursuant to its recommendations.

Presently, we have one sub-advisory relationship for these non-management services whereby we provide the IRIA with recommendations on the management of some of the IRIA's advisory accounts. The IRIA retains the discretionary authority to determine whether to adopt our recommendations and implement them within the accounts or not.

### **AMOUNT OF MANAGED ASSETS**

As of 012/31/2014 we were actively managing approximately \$83,125,000 of clients' assets on a discretionary basis. We do not manage assets on a non-discretionary basis.

## **Item 5 Fees and Compensation**

### ***Portfolio Management Fees***

The annualized fee for Investment Supervisory Services is charged as a percentage of assets under management, according to the following schedule:

<b>Assets under Management</b>	<b>Annual Fee</b>
First \$1,000,000	1.00%
\$1,000,001 and Above	0.50%

*(1% on the first \$1,000,000 under management and 1/2% of the dollar amount above \$1,000,000.)*

Our fees are billed quarterly, in advance, at the beginning of each calendar quarter based upon the value (market value or fair market value in the absence of market value), of the client's account at the end of the previous quarter. Fees will be debited from the account in accordance with the client authorization in the Client Services Agreement. No increase in the annual fee shall be effective without agreement from the client by signing a new agreement or amendment to their current advisory agreement. D&C may group certain related client accounts for the purposes of determining the annualized fee.

## SUB-ADVISORY SERVICES

For these services, we are compensated by the IRIA in the following manner:

- A fixed fee in the amount of \$15,000

We are paid these fees quarterly, in advance, by the IRIA.

**Limited Negotiability of Advisory Fees:** Although D&C has established the aforementioned fee schedule(s), we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs will be considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets; related accounts; portfolio style, account composition, reports, among other factors. The specific annual fee schedule will be identified in the contract between the adviser and each client.

We may group certain related client accounts for the purposes of achieving the minimum account size requirements and determining the annualized fee. Discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm.

## GENERAL INFORMATION

**Termination of the Advisory Relationship:** The investment advisory contract may be terminated by the client within five (5) business days of signing the contract without incurring any advisory fees. Thereafter, a client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. As disclosed above, certain fees are paid in advance of services provided. Upon termination of any account, any prepaid, unearned fees will be promptly refunded. In calculating a client's reimbursement of fees, we will pro rate the reimbursement according to the number of days remaining in the billing period.

**Mutual Fund Fees:** All fees paid to D&C for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

**Additional Fees and Expenses:** In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transactions for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this *Firm Brochure* for additional information.

**Grandfathering of Minimum Account Requirements:** Pre-existing advisory clients are subject to D&C's minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our firm's minimum account requirements and fee schedules will differ among clients.

**Advisory Fees in General:** Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

**Limited Prepayment of Fees:** Under no circumstances do we require or solicit payment of fees in excess of \$500 more than six months in advance of services rendered.

## **Item 6      Performance-Based Fees and Side-By-Side Management**

Our firm does not charge performance-based fees (i.e., fees based on a share of capital gains or capital appreciation of the client's assets).

## **Item 7      Types of Clients**

D&C provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Banking or Thrift Institutions
- Charitable organizations

As of 8/28/2014, D&C, at its discretion may accept or refuse to accept an account based on the amount of money to be managed, taking into account the types of services to be provided. As of this time D&C is not enforcing a particular account minimum. See **Grandfathering of Minimum Account Requirements** in section 5 above for information on existing account relationships.

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

### **METHODS OF ANALYSIS**

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

**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.

**Risks for all forms of analysis.** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

## INVESTMENT STRATEGIES

We use the following strategy(ies) in managing client accounts, provided that such strategy(ies) are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

**Long-term purchases.** We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

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. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

**Short-term purchases.** When utilizing this strategy, we 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.

A short-term purchase strategy poses risks should the anticipated price swing not materialize; we are then left with the option of having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss.



In addition, this strategy involves more frequent trading than does a longer-term strategy, and will result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

**Option writing.** We may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.

The two types of options are calls and puts:

- A call gives us the right to buy an asset at a certain price within a specific period of time. We will buy a call if we have determined that the stock will increase substantially before the option expires.
- A put gives us the holder the right to sell an asset at a certain price within a specific period of time. We will buy a put if we have determined that the price of the stock will fall before the option expires.

We will use options to speculate on the possibility of a sharp price swing. We will also use options to "hedge" a purchase of the underlying security; in other words, we will use an option purchase to limit the potential upside and downside of a security we have purchased for your portfolio.

We use "covered calls", in which we sell an option on security you own. In this strategy, you receive a fee for making the option available, and the person purchasing the option has the right to buy the security from you at an agreed-upon price.

We use a "spreading strategy", in which we purchase two or more option contracts (for example, a call option that you buy and a call option that you sell) for the same underlying security. This effectively puts you on both sides of the market, but with the ability to vary price, time and other factors.

A risk of covered calls is that the option buyer does not have to exercise the option, so that if we want to sell the stock prior to the end of the option agreement, we have to buy the option back from the option buyer, for a possible loss.

A risk of spreading strategies is that the ability to fully profit from a price swing is limited.

**Risk of Loss.** Securities investments are not guaranteed and you may lose money on your investments. We ask that you work with us to help us understand your tolerance for risk.

## **Item 9      Disciplinary Information**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Our firm and our management personnel have no reportable disciplinary events to disclose.

## **Item 10      Other Financial Industry Activities and Affiliations**

D&C is not registered, nor does it have an application pending to register as a broker-dealer, futures commission merchant, commodity pool operator, or commodity trading advisor. Furthermore, none of our management persons are registered or have pending applications to become registered as any of the foregoing entities.

Effective December 8, 2014, Robert E. Hendricks is no longer a passive Member of Deschaine & Company, LLC. Mr. Hendricks sold his 25% equity ownership back to Marnie E. Deschaine, who now owns 100% of Deschaine & Company, LLC.

Brian Wieland is, in his individual capacity, the principal owner and insurance agent for Beckland Risk Management, LLC ("Beckland"), an insurance agency offering Life and Long Term Care products. Although he will not proactively solicit advisory clients for the sale of such products, he may engage in such activities in response to requests by his advisory clients. In such circumstances, he is able to receive separate, yet customary commission compensation resulting from implementing product transactions on behalf of advisory clients. Clients, however, are not under any obligation to engage him when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client. Mr. Wieland may spend up to five percent of his time engaged in activities on behalf of Beckland.

Our firm and our related persons are not engaged in any other financial industry activities and have no other industry affiliations.

## **Item 11      Code of Ethics, Participation or Interest in Client Transactions & Personal Trading**

D&C and individuals associated with our firm are prohibited from engaging in principal transactions or agency cross transactions.

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

D&C and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

D&C's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to [marnie@deschaineandcompany.com](mailto:marnie@deschaineandcompany.com), or by calling us at (618) 397-1002.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts.

We may aggregate our employee trades with client transactions where possible and when compliant with our duty to seek best execution for our clients. In these instances, participating clients will receive an average share price and transaction costs will be shared equally and on a pro-rata basis. In the instances where there is a partial fill of a particular batched order, we will allocate all purchases pro-rata, with each account paying the average price. Our employee accounts will be excluded in the pro-rata allocation.

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm's Code of Ethics, to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

1. No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
2. No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
3. It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.
4. Our firm requires prior approval for any IPO or private placement investments by related persons of the firm.
5. We maintain a list of all reportable securities holdings for our firm and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or his/her designee.
6. We have established procedures for the maintenance of all required books and records.

7. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
8. We require delivery and acknowledgement of the Code of Ethics by each supervised person of our firm.
9. We have established policies requiring the reporting of Code of Ethics violations to our senior management.
10. Any individual who violates any of the above restrictions may be subject to termination.

As disclosed in the preceding section of this Brochure (Item 10), a related person of our firm is separately licensed as an insurance agent/broker of various insurance companies. Please refer to Item 10 for a detailed explanation of these relationships and important conflict of interest disclosures.

## **Item 12 Brokerage Practices**

**Directed Brokerage Arrangements.** As our firm does not have the discretionary authority to determine the broker-dealer to be used or the commission rates to be paid, clients must direct D&C as to the broker-dealer to be used.

That said, D&C participates in an institutional customer program offered by TD Ameritrade Institutional; a division of TD Ameritrade Inc. ("TD Ameritrade"). TD Ameritrade is a SEC-registered, FINRA/SIPC member broker-dealers. D&C is independently owned and operated; neither the firm nor any employee is affiliated with TD Ameritrade.

Accordingly, D&C encourages clients to direct us to place trades through TD Ameritrade. We have evaluated TD Ameritrade and believe that it provides our clients with a blend of execution services, commission costs and professionalism that will assist our firm to meet our fiduciary obligations to clients. We reserve the right to decline acceptance of any client account for which the client directs the use of a broker other than TD Ameritrade if we believe that this choice would hinder our fiduciary duty to the client and/or our ability to service the account. In directing the use of TD Ameritrade, clients should understand that D&C will not have authority to negotiate commissions or to necessarily obtain volume discounts, and best execution may not be achieved. In addition, a disparity in commission charges may exist between the commissions charged to the client and those charged to other clients (who may direct the use of another broker).

While there is no direct link between our firm's participation in the TD Ameritrade Institutional program and the investment advice we give to our clients, we receive economic benefits through our participation in these programs that are typically not available to TD Ameritrade retail investors.

***TD Ameritrade Institutional, Division of TD Ameritrade, Inc., member FINRA/SIPC/NFATD:***

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 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 D&C by third party vendors.

Some of the products and services made available by TD Ameritrade through the program may benefit D&C but may not benefit our client accounts. These products or services may assist us in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help us manage and further develop our business enterprise. The benefits we receive through participation in the program 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 D&C or our related persons in and of itself creates a potential conflict of interest and may indirectly influence our recommendation of TD Ameritrade for custody and brokerage services.

D&C will block trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block.

- Block trading may allow us to execute equity trades in a timelier, more equitable manner, at an average share price. D&C will typically aggregate trades among clients whose accounts can be traded at a given broker, and generally will rotate or vary the order of brokers through which it places trades for clients on any particular day. D&C's block trading policy and procedures are as follows:
- Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement with D&C, or our firm's order allocation policy.
- The trading desk in concert with the portfolio manager must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.
- The portfolio manager must reasonably believe that the order aggregation will benefit, and will enable D&C to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a "20-20 hindsight" perspective. Best execution includes the duty to seek the best quality of execution, as well as the best net price.

- Prior to entry of an aggregated order, a written order ticket must be completed which identifies each client account participating in the order and the proposed allocation of the order, upon completion, to those clients.
- If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated pro rata among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. However, adjustments to this pro rata allocation may be made to participating client accounts in accordance with the initial order ticket or other written statement of allocation. Furthermore, adjustments to this pro rata allocation may be made to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts.
- Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order, and must share in the commissions on a pro rata basis in proportion to the client's participation. Under the client's agreement with the custodian/broker, transaction costs may be based on the number of shares traded for each client.
- If the order will be allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change must be provided to and approved by the Chief Compliance Officer no later than the morning following the execution of the aggregate trade.
- D&C's client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for, that account.
- Funds and securities for aggregated orders are clearly identified on D&C's records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.
- No client or account will be favored over another.

## **Item 13      Review of Accounts**

### ***Portfolio Management***

**REVIEWS:** While the underlying securities within Portfolio Management Services accounts are continually monitored, these accounts are comprehensively reviewed with the client at least annually or at the client's discretion. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

These accounts are reviewed by one or more of the Firm's Portfolio Managers.

**REPORTS:** In addition to the monthly statements and confirmations of transactions that clients receive from their broker-dealer, clients have the option of directly receiving from D&C a statement of their account on a quarterly, semi-annual or annual basis. The statement includes a list of assets held on the last day of the statement-reporting period and a transaction summary showing all transactions for the period covered under the statement (e.g., security purchases, sales, income, contributions, withdrawals, fees, stock splits, interest and dividends). Comprehensive portfolio summary reviews are prepared as agreed upon at the inception of the advisory relationship, upon client request, or at a minimum, not less than annually.

## **Item 14      Client Referrals and Other Compensation**

### **CLIENT REFERRALS**

It is D&C's policy not to engage solicitors or to pay related or non-related persons for referring potential clients to our firm.

### **OTHER COMPENSATION**

It is our firm's policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

## **Item 15      Custody**

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm directly debits advisory fees from client accounts.

As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

## **Item 16      Investment Discretion**

Clients may hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client:

- Determine the security to buy or sell; and/or

- Determine the amount of the security to buy or sell

Clients give us discretionary authority when they sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

## **Item 17      Voting Client Securities**

As a matter of firm policy, we do not vote proxies on behalf of clients. Therefore, although our firm may provide investment advisory services relative to client investment assets, 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. Clients are responsible for instructing each custodian of the assets, to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

We may provide clients with consulting assistance regarding proxy issues if they contact us with questions at our principal place of business.

## **Item 18      Financial Information**

As an advisory firm that maintains discretionary authority for client accounts, we are required to disclose any financial condition that is reasonable likely to impair our ability to meet our contractual obligations. D&C has no such financial circumstances to report.

Under no circumstances do we require or solicit payment of fees in excess of \$500 per client more than six months in advance of services rendered. As such, we are not required to include a financial statement as part of this disclosure document.

D&C has never been the subject of a bankruptcy petition.