

## **Stolper & Company, Inc.**

**550 West “C” Street, Suite 960  
San Diego, California 92101**

**619-231-9102**

**619-231-0636**

**www.stolperco.com**

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### **FORM ADV PART 2A BROCHURE**

This brochure provides information about the qualifications and business practices of Stolper & Company (“SCI”). If you have any questions about the contents of this brochure, please contact us at 619-231-9102 or 550 West “C” Street, Suite 960, San Diego, CA 92101. 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 Stolper & Company is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Stolper & Company is 6911.

Stolper & Company is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

## **Material Changes – Item 2**

Stolper & Company's most recent update to Part 2 of Form ADV was made in February 2010. SCI's business activities have not changed materially since the time of that update. In 2010 the SEC required significant changes to the format and content of Part 2 of Form ADV. This brochure, which reflects those changes, is materially different from brochures used by SCI in past years.

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## **Advisory Business – Item 4**

Stolper & Company, Inc. (SCI) was founded in 1975 by Michael Stolper.

The principal owners of Stolper & Company are Michael Stolper and Barbara Malone. Michael Stolper, President, owns 75% of the firm. Barbara Malone, Managing Director/CCO, owns 25% of Stolper & Company.

Generally speaking, Stolper & Company offers the following services to clients:

1. Stolper & Company assists in selecting investment managers, mutual funds and commingled products for discretionary portfolio management. These portfolios are not managed by Stolper & Co.

Investment management firms are recommended to clients after the following factors, at a minimum, are considered:

- i. Quality of the investment record
- ii. Longevity of the investment record
- iii. Investment philosophy
- iv. Types of securities owned
- v. Portfolio structure
- vi. Educational and business background  
of investment principals
- vii. Fees
- viii. Availability of references
- ix. Research sources
- x. Number of clients
- xi. Amount of assets managed
- xii. Method and frequency of reporting to client
- xiii. Brokerage practices
- xiv. Long-term business plan

- xv. Decision-making process.

Recommendations of investment advisors are subject to certain constraints imposed by the client including but not limited to:

- i. Fees of investment advisory firm
- ii. Length of time in business of investment advisory firm
- iii. Number of portfolio managers employed by investment advisory firm
- iv. Aggregate assets currently managed by investment advisory firm
- v. Performance history of investment advisory firm for funds similar to that of the client
- vi. Investment philosophy of investment advisory firm
- vii. Minimum account accepted by investment advisory firm.

Specific recommendations are usually made after conferring with the client with regard to client's investment objectives. The objectives give recognition of, among other things, tax considerations, income requirements, ultimate purpose of the fund, investment philosophy and risk tolerance.

It is Stolper & Company's policy to encourage non-taxed accounts, particularly funds subject to ERISA, to develop a formal, written statement of investment objectives. The statement should establish quantitative criteria to measure the effectiveness of the investment advisor and include parameters for probation and termination of the advisor.

SCI from time to time provides investment consulting services to various entities on a flat fee basis.

- 2. Stolper & Co. also provides asset allocation services to clients under an arrangement in which SCI will allocate all or a portion of a client's portfolio to subadvisers hired by SCI. Under this arrangement, SCI monitors the investment activities of the subadvisers and SCI retains the ability to terminate the subadviser or allocate more or less of the

client's portfolio to the subadviser at any time. SCI also negotiates each subadviser's fees on the client's behalf.

3. Stolper & Co. provides investment management services and individualized advice to clients through a mutual fund selection program. SCI has full authority to purchase and sell shares of open-end, both load and no-load funds, (load funds are selected only if the sales charge is waived and it can be purchased at NAV, and closed-end mutual funds (including money-market funds) on behalf of each participating client. Factors similar to those outlined above with respect to investment managers are considered by the SCI in purchasing shares for clients' accounts.

Stolper & Company does not participate in wrap fee programs.

Stolper & Company manages \$277,517,975 on a discretionary basis and \$362,687,890 on a non-discretionary basis. These numbers are as of December 31, 2014.

### **Fees and Compensation – Item 5**

Stolper & Company fees will be computed at an annual rate of:

- 0.50% of the assets under management for equity and balanced accounts.
- Fees are negotiable for assets greater than \$5 million under management.
- The minimum annual fee is \$15,000 for each relationship.

Stolper & Company also provides asset allocation services to clients under an arrangement in which SCI will allocate all or a portion of a client's portfolio to subadvisers hired by SCI. Under this arrangement, SCI monitors the investment activities of the subadvisers and SCI retains the ability to terminate the subadviser or allocate more or less of the client's portfolio to the subadviser at any time. SCI also negotiates each subadviser's fees on the client's behalf. For its services under this arrangement, SCI receives an annual fee of 0.50% of the value of the assets in the client's account, payable

quarterly in advance. SCI may charge lower fees for some clients based upon the amount of assets under SCI's management, the length and nature of SCI's relationship with the client and other factors. SCI's fee does not include the services of any subadviser selected for the account, custodial expenses or brokerage expenses in connection with the account. When authorized by client, SCI will direct the client's custodian to pay SCI's and the subadviser's fees directly from the client's account. Alternatively, the client may elect to be billed directly for management fees. The manner in which fees are deducted is detailed in the signed agreement with the client.

Clients pay management fees in advance. If the arrangement is terminated before the end of a quarter for which the quarterly fee has been paid, the fee will be pro-rated and refunded to the client.

SCI from time to time provides investment consulting services to various entities on a flat fee basis.

In addition to the management fees payable to SCI, each mutual fund in which the assets of the account are invested also pays its own investment advisory fees to its own investment advisor, administrative expenses, and in some cases 12B-1 fees. Also, the broker may be paid commissions and/or ticket charges for effecting purchases and sales of funds. The minimum fee is \$27.00 and the maximum fee is \$75.00 for any size transaction, none of which is paid to SCI.

SCI does not receive any referral fees or compensation from investment advisors for recommending their firms to SCI's advised clients. In the past, SCI's clients may have instructed an investment advisor to credit a portion of the advisor's fee to SCI to compensate SCI at its usual rates for the provision of its consulting and performance measurement services. Any payments that SCI received under this arrangement were at the convenience and request of the client. This payment option is not available for new clients.

## **Performance Based Fees and Side-by-Side Management – Item 6**

Stolper & Company does not charge any performance fees. Some investment advisors experience conflicts of interest in connection with the side-by-side management of accounts with different fee structures. However, these conflicts of interest are not applicable to SCI.

### **Types of Clients – Item 7**

Stolper & Company provides services to individuals, trusts, estates, charitable organizations, pension and profit sharing plans, corporations or business entities other than those previously listed.

Accounts of \$3,000,000 or more will be accepted, however smaller accounts may be accepted when part of a household with more than \$3,000,000 total value.

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

Methods of Analysis stated in Item 4.

Client recommendations are limited to long-only strategies and fixed-income. The firm does not advocate the use of margin for clients.

All investing involves a risk of loss, and the investment strategies offered by Stolper & Company could lose money over short or even long periods. Past performance is not a guarantee of future results and individual account performance will vary. Performance could be hurt by a number of different risks including but not limited to:

**Stock Market Risk.** Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. There is a chance that stock prices overall will decline.

**Sector Risk.** There is a chance that significant problems will affect a particular sector, or that returns from that sector will trail returns from the overall stock market. Daily

fluctuations in specific market sectors are often more extreme than fluctuations in the overall stock market.

**Bankruptcy of a broker or custodian could cause excessive costs or loss of investor funds.** If a broker with whom Stolper & Company has an account becomes insolvent or bankrupt, SCI may be unable to recover all or even a portion of the assets maintained by clients with that broker. Similarly, if a custodian housing a client's securities or other assets becomes bankrupt or insolvent, the client may be unable to recover all or even a portion of the assets held by the custodian.

**SCI may rely on information that turns out to be wrong.** SCI selects investments based, in part, on information provided by issuers to regulators or made directly available to SCI by the issuers or other sources. SCI is not always able to confirm the completeness or accuracy of such information, and in some cases, complete and accurate information is not available. Incorrect or incomplete information increases risk and may result in losses.

**SCI may fail to identify successful companies.** Identifying successful companies is difficult, and there are no assurances that such a strategy will succeed. Furthermore, clients may be forced to hold such investments for a substantial period of time before realizing any anticipated value.

**Investing in securities entails risks associated with the underlying business** including reliance on a company's managers and their ability to execute business strategies. In addition, all businesses face risks such as adverse changes in regulatory requirements, interest rate and currency fluctuations, general economic downturns, changes in political situations, market competitions and other factors. SCI will not have day-to-day control over any company in which it invests for clients.

**At times SCI may invest client assets in securities issued by other clients, entities related to other clients, or other entities to which SCI may have business relationships with.** No such investments are made unless investments are in the best



interest of clients and SCI has ensured that such investments are made in compliance with its Insider Trading Policy.

**Fixed Income Securities.** Risks associated with investing in fixed income securities (i.e. bonds) include:

- The bond issuer's inability to pay interest or repay the bond;
- Changes in market interest rates cause the bond's value to fall;
- Illiquidity in the bond market may make the bond difficult or impossible to sell;
- The bond issuer may repay the bond prior to maturity; or
- Inflation may reduce the effective yield on the bond's interest payments

**Bonds- Call Provisions.** Many bonds, including agency, corporate and municipal bonds, and all mortgage-backed securities, contain a provision that allows the issuer to "call" all or part of the issue before the bond's maturity date. The issuer usually retains this right to refinance the bond in the future if market interest rates decline below the coupon rate. There are three disadvantages to the call provision. First, the cash flow pattern of a callable bond is not known with certainty. Second, because the issuer will call the bond when interest rates have dropped, clients are exposed to reinvestment rate risk – clients will have to reinvest the proceeds received when the bond is called at lower interest rates. Finally, the capital appreciation potential of a bond will be reduced because the price of a callable bond may not rise much above the price at which the issuer may call the bond.

**Bonds – Yield Curves.** Bond portfolios typically include bonds with a range of maturity dates. In assembling a bond portfolio, the Advisor generally assumes that changes in the yield curve will occur at roughly parallel rates, that is, that interest rates on long-term bonds will move up or down in the same direction as interest rates on short-term bond yields. To the extent that the yield curve movements deviate from this assumption, the bond portfolio may generate results different from those intended by SCI.

**Bonds – Inflation.** Inflation risk results from the variation in the value of cash flows from a security due to inflation, as measured in terms of purchasing power. For example, if a client purchases a 5-year bond in which it can realize a coupon rate of 5%, but the rate of inflation is 6%, then the purchasing power of the cash flow has declined. For all but inflation linked bonds, adjustable bonds or floating rate bonds, clients are exposed to inflation risk because the interest rate the issuer promises to make is fixed for the life of the security. To the extent that interest rates reflect the expected inflation rate, floating rate bonds have a lower level of inflation risk.

### **Disciplinary Information – Item 9**

Stolper & Company has not been involved in any legal or disciplinary events in the past ten years that would be material to a client's evaluation of the company or its personnel.

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

Stolper & Company's principals, Michael Stolper and Barbara Malone own Windowpane Advisors, an investment advisor to the mutual fund, Jordan Opportunity Fund.

Mr. Stolper serves on the Board of Directors of Meridian Fund, Inc. Mr. Stolper is also a shareholder in Aster Investment Management, the investment Advisor to Meridian Fund, Inc. SCI may recommend Aster Investment Management, a separate entity, to its clients.

SCI may recommend to its clients the mutual fund referred to above, with which SCI or Mr. Stolper has or has had a relationship or affiliation. These relationships are fully disclosed to the client.

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

SCI has adopted a Code of Ethics (the “Code”) pursuant to Rule 204A-1 under the Investment Advisers Act of 1940 and is predicated on the principal that SCI owes a fiduciary duty to its clients. To avoid any potential conflicts of interest involving personal trades, the Code requires, among other things, that employees:

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets;
- Place the integrity of the investment profession, the interests of clients, and the interests of SCI above one's own personal interests;
- Adhere to the fundamental standard that they should not take inappropriate advantage of their position;
- Avoid or disclose any actual or potential conflict of interest;
- Conduct all personal securities transactions in a manner consistent with the policy;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities;
- Practice and encourage others to practice in a professional and ethical manner that will reflect credit on yourself and the profession;
- Promote the integrity of, and uphold the rules governing, capital markets;
- Maintain and improve their professional competence and strive to maintain and improve the competence of other investment professionals.
- Comply with applicable provisions of the federal securities laws.

SCI's code also requires Employees to: 1) pre-clear certain personal securities transactions, 2) report personal securities transactions on at least a quarterly basis, and 3) provide SCI with a detailed summary of certain holdings (both initially upon commencement of employment and annually thereafter) over which such Employees have a direct or indirect beneficial interest.

A copy of SCI's Code of Ethics shall be provided to any client or prospective client upon request.

### **Brokerage Practices – Item 12**

SCI recommends clients use Charles Schwab & Company as a custodian for their accounts. Charles Schwab executes trades on behalf of the clients. SCI does not receive any economic benefit from these trades. Stolper & Co. utilizes Schwablink, a system that enables SCI to have a daily electronic link with all accounts custodied at Schwab. Charles Schwab & Company has provided this system to SCI at a reduced rate. The economic benefit to SCI is less than \$1,000 per year. Clients may choose an alternative custodian if they wish.

### **Review of Accounts – Item 13**

Each account is reviewed statistically, at least once each calendar or fiscal quarter by senior staff. A time-weighted return is computed and compared to stock market and bond market indices. Portfolios are reviewed as to composition (cash equivalents/fixed-income/equities). Consideration is given as to the adequacy of diversification relative to the client's objectives. The sequence of review is the order in which copies of reports sent to clients by the investment management firms and mutual funds are received by SCI.

Additionally, an effort is made to review client holdings at least once per calendar or fiscal quarter in addition to the formal quarterly review. Dramatic changes in market conditions trigger more frequent review.

Clients are provided with written performance evaluations once each calendar or fiscal quarter. The quarterly performance evaluation states the time-weighted rate-of-return for

the most recent calendar or fiscal quarter, the calendar or fiscal year-to-date, and the cumulative return since the inception of the counseling relationship.

For comparative purposes, median results of both common stock and bond portfolios managed by mutual fund management companies are included. As appropriate, stock and bond market indices, as well as the change in the Consumer Price Index are scheduled to facilitate comparisons.

Periodic comments are made to clients about the adequacy of the investment results relative to client objectives.

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

Stolper & Company does not directly or indirectly compensate any person for client referrals.

#### **Custody – Item 15**

All clients' accounts are held in custody by unaffiliated broker/dealers or banks, but SCI can access many clients' accounts through its ability to debit advisory fees. For this reason SCI is considered to have custody of client assets. Account custodians send statements directly to the account owners on at least a quarterly basis. Clients should carefully review these statements and should compare these statements to any account information provided by SCI.

#### **Investment Discretion – Item 16**

SCI has been granted the authority by a substantial majority of its clients to determine, without specific consent, the securities to be bought or sold and the amounts of those securities. Any limitations which might be placed on SCI are "client specific" and, to the extent that they exist, are detailed at the opening of the client's account.

**Voting Client Securities – Item 17**

Stolper & Co. does not vote client proxies. Clients will receive proxy material directly from the custodian holding the client's account. Under circumstances where the SCI receives proxy material on behalf of a client involving any security held in the client's account, SCI will promptly forward such material to the client's attention. It is the client's responsibility to vote his/her proxy(ies). Upon client request, SCI will provide advice regarding proxy voting.

**Financial Information – Item 18**

SCI has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.