

# NAVIGATOR INVESTMENTS, LLC

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ADV Part 2A, Firm Brochure

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**This brochure provides information about the qualifications and business practices of Navigator Investments, LLC. If you have any questions about the contents of this brochure, please contact us at (401) 455-1230 or [LSheeley@NavigatorInvestments.com](mailto:LSheeley@NavigatorInvestments.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 Navigator Investments, LLC. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**References herein to Navigator Investments, LLC as a "registered investment adviser" or any reference to being "registered" does not imply a certain level of skill or training.**

## **Item 2           Material Changes**

Since the previous Annual Amendment filing on March 24, 2014, this ADV Part 2A, Firm Brochure has been materially amended as follows:

1. Item 1 reflects Navigator Investment, LLC's new principal office location;
2. Item 4 has removed all references to "Pilot Investment LP," which was an affiliated private fund that has been closed;
3. Item 6 now indicates that Navigator Investment, LLC and its supervised persons do not accept performance-based fees, now that "Pilot Investment LP" has been closed;
4. Item 12 clarifies the scope of soft-dollar benefits Navigator Investment, LLC receives from a broker-dealer/custodian; and
5. Item 15 has removed reference to Navigator Investment, LLC engaging in certain practices relative to the management of "Pilot Investment LP" requiring reporting on ADV Part 1, Item 9 and being subject to annual accounting requirements in conformity with Rule 206(4)-2 under the Investment Advisers Act of 1940.

## **Item 3           Table of Contents**

Item 1	Cover Page.....	1
Item 2	Material Changes.....	2
Item 3	Table of Contents.....	2
Item 4	Advisory Business .....	3
Item 5	Fees and Compensation .....	6
Item 6	Performance-Based Fees and Side-by-Side Management .....	8
Item 7	Types of Clients.....	8
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss.....	8
Item 9	Disciplinary Information .....	10
Item 10	Other Financial Industry Activities and Affiliations .....	11
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.	11
Item 12	Brokerage Practices .....	12
Item 13	Review of Accounts.....	15
Item 14	Client Referrals and Other Compensation .....	16
Item 15	Custody.....	16
Item 16	Investment Discretion .....	17
Item 17	Voting Client Securities.....	17
Item 18	Financial Information .....	18

#### **Item 4            Advisory Business**

- A. Navigator Investments, LLC (the “Registrant”) is a limited liability company formed under the laws of the State of Rhode Island. The Registrant has been registered as an investment adviser since 1998. The Registrant is principally owned by NCG, LLC, which is principally owned by Lesley Sheeley, who is the Registrant’s Chief Compliance Officer.
- B. As discussed below, the Registrant offers to its clients (individuals, high net worth individuals, pension and profit sharing plans, and charitable organizations, etc) investment advisory services and financial planning and consulting services.

#### **INVESTMENT ADVISORY SERVICES**

The client can engage the Registrant to provide discretionary and/or non-discretionary investment advisory services on a fee basis. The Registrant’s annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under the Registrant’s management. Before engaging the Registrant to provide investment advisory services, new clients will be required to enter into an *Investment Advisory 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 fee that is due from the client.

Registrant’s annual investment advisory fee shall include investment advisory services, and general financial planning and consulting services. In the event that the client requires extraordinary planning and/or consultation services (to be determined in the sole discretion of the Registrant), the Registrant may determine to charge for such additional services pursuant to a stand-alone *Financial Planning Agreement* (see below).

The Registrant provides investment advisory services specific to the needs of each client. Before providing investment advisory services, an investment adviser representative will ascertain each client’s investment objectives. Then, the Registrant will allocate and/or recommend that the client allocate investment assets consistent with the designated investment objectives. The Registrant generally allocates or recommends that clients allocate investment assets among: exchange-listed securities, over-the-counter securities, mutual fund shares, corporate debt, exchange traded funds (“ETFs”), US government securities, and certificates of deposit on a discretionary and/or non-discretionary basis in accordance with the client’s designated investment objective(s). Once allocated, the Registrant provides ongoing monitoring and review of account performance, asset allocation and client investment objectives.

#### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

To the extent requested by a client, the Registrant may also 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.

Before engaging the Registrant to provide stand-alone planning or consulting services, clients are 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 before Registrant commences services. If requested by the client, Registrant may recommend the services of other professionals for implementation purposes including Registrant's representative, Lesley Sheeley, in his separate individual capacity as a licensed insurance agent (See disclosure in Item 10.C. 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. **Please Also Note:** It remains the client's responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

#### **RETIREMENT CONSULTING SERVICES**

The Registrant also provides non-discretionary pension consulting services, pursuant to which it assists sponsors of self-directed retirement plans with the selection and/or monitoring of investment alternatives (generally open-end mutual funds) from which plan participants shall choose in self-directing the investments for their individual plan retirement accounts. In addition, to the extent requested by the plan sponsor, the Registrant shall also provide participant education designed to assist participants in identifying the appropriate investment strategy for their retirement plan accounts. The terms and conditions of the engagement shall generally be set forth in a *Retirement Plan Consulting Agreement* between the Registrant and the plan sponsor.

#### **MISCELLANEOUS**

**Non-Investment Consulting/Implementation Services.** If 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 Registrant's representative, Lesley Sheeley, in his separate individual capacity as a licensed insurance agent 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. **Please Also Note:** It remains the client's responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

**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.

**Non-Discretionary Service Limitations.** Clients that determine to engage the Registrant on a non-discretionary investment advisory basis **must be willing to accept** that the Registrant cannot effect any account transactions without obtaining prior verbal consent to any such transaction(s) from the client. Thus, in the event of a market correction during which the client is unavailable, the Registrant will be unable to effect any account transactions (as it would for its discretionary clients) **without first obtaining the client's verbal consent.**

**Retirement Plan Rollovers-No Obligation/Conflict of Interest.** A client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in his/her former employer's plan, if permitted, (ii) roll over the assets to his/her new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an IRA, or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). The Registrant may recommend that a client roll over plan assets to an Individual Retirement Account ("IRA") managed by the Registrant. As a result the Registrant and its representatives may earn an asset-based fee. In contrast, a recommendation that a client or prospective client leave his or her plan assets with his/her former employer or roll the assets to a plan sponsored by a new employer will generally result in no compensation to the Registrant (unless clients engage the Registrant to monitor and/or manage the account while maintained at his/her employer). The Registrant has an economic incentive to recommend that a client roll over plan assets into an IRA that the Registrant will manage **or** to engage the Registrant to monitor and/or manage the account while maintained at the client's employer. There are various factors that the Registrant may consider before recommending a rollover, including but not limited to: (i) the investment options available in the plan versus the investment options available in an IRA, (ii) fees and expenses in the plan versus the fees and expenses in an IRA, (iii) the services and responsiveness of the plan's investment professionals versus the Registrant's, (iv) protection of assets from creditors and legal judgments, (v) required minimum distributions and age considerations, and (vi) employer stock tax consequences, if any. **No client is under any obligation to roll over plan assets to an IRA managed by the Registrant or to engage the Registrant to monitor and/or manage the account while maintained at the client's employer. The Registrant's Chief Compliance Officer, Lesley Sheeley, remains available to address any questions that a client or prospective client may have regarding its prospective engagement and the corresponding conflict of interest presented by such engagement.**

**Client Obligations.** In performing its services, Registrant shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

**Disclosure Statement.** A copy of the Registrant's written Brochure as set forth on Part 2 of Form ADV shall be provided to each client before, or contemporaneously with, the execution of the *Investment Advisory Agreement*, *Financial Planning and Consulting Agreement*, and/or *Retirement Plan Consulting Agreement*, as applicable.

- C. The Registrant shall provide investment advisory services specific to the needs of each client. Before providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, the Registrant shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at anytime, impose reasonable restrictions, in writing, on the Registrant's services.
- D. The Registrant does not participate in a wrap fee program.
- E. As of December 31, 2014, the Registrant had \$110,739,867 in assets under management on a discretionary basis, and \$99,754,590 in assets under management on a non-discretionary basis.

## **Item 5            Fees and Compensation**

### **A. INVESTMENT ADVISORY SERVICES**

The client can engage the Registrant to provide discretionary and/or non-discretionary investment advisory services on a *fee* basis. Registrant's negotiable annual investment advisory fee shall generally be based upon a percentage (%) of the market value and type of assets placed under Registrant's management, between 0.45% and 1.00% as follows:

<u>Market Value of Portfolio</u>	<u>Annual Fee %</u>
First \$1,000,000	1.00%
Next \$1,000,000	0.85%
Next \$3,000,000	0.75%
Next \$5,000,000	0.65%
Over \$10,000,000	0.45%

The Registrant's annual investment advisory fee shall be based upon various objective and subjective factors. These factors include, but are not limited to, the amount of the assets placed under the Registrant's advisement, the level and scope of the overall investment advisory services to be rendered and the complexity of the engagement.

### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

The Registrant may 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 the Registrant charges between \$3,000 and \$5,000 on a fixed fee basis, or between \$200 and \$550 per hour on an hourly basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s).

## **RETIREMENT CONSULTING SERVICES**

The Registrant may offer pension-consulting services, on a non-discretionary *fee* basis, to 401k and 403(b) retirement plans. Generally, the Registrant's advisory fees are payable either i) quarterly in advance, ii) quarterly in arrears, iii) monthly in advance, or iv) monthly in arrears. The Registrant's fee for advisory services may be based on a percentage of assets under advisement, an agreed upon fixed fee or determined on an hourly rate basis.

**Please Note: Fee Differentials.** The Registrant shall price its services based upon various objective and subjective factors. As a result, the Registrant's clients could pay diverse fees based upon the market value of their assets, the complexity of the engagement, and the level and scope of the overall financial planning and/or consulting services to be rendered. The services to be provided by the Registrant to any particular client could be available from other advisers at a higher or lower fee. All clients and prospective clients should be guided accordingly.

- 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 compliance with regulatory procedures. 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 monthly in arrears, based upon the market value of the assets on the last business day of the previous month.
- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, Registrant shall generally recommend that Charles Schwab & Co., Inc. ("*Schwab*") and/or TD Ameritrade Institutional Program ("TDA"), a division of TD Ameritrade Inc. ("*TD Ameritrade*") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Schwab* and/or *TD Ameritrade* 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).

Relative to its discretionary investment management services, when beneficial to the client, individual fixed income transactions may be effected through broker-dealers other than the account custodian, in which event, the client generally will incur both the fee (commission, mark-up/mark-down) charged by the executing broker-dealer and a separate "tradeaway" and/or prime broker fee charged by the account custodian.

- D. The Registrant's annual investment advisory fee shall be prorated and paid monthly in arrears, based upon the market value of the assets on the last business day of the previous month. The Registrant generally does not require a minimum annual investment advisory fee. The Registrant, in its sole discretion, may reduce its investment advisory fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, familial relationship, dollar amount of assets to be managed, related accounts, account composition, 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 debit the account for the pro-rated portion of the unpaid advanced advisory fee based upon the number of days that services were provided during the billing month or billing quarter, as applicable.

- E. Neither the Registrant, nor its representatives accept compensation from the sale of securities or other investment products

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

Neither the Registrant nor any supervised person of the Registrant accepts performance-based fees.

## **Item 7            Types of Clients**

The Registrant's clients shall generally include individuals, high net worth individuals, pension and profit sharing plans, trusts, estates, pooled investment vehicles and business entities. The Registrant generally does not require a minimum annual investment advisory fee. The Registrant, in its sole discretion, may adjust its investment advisory fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, familial relationship, dollar amount of assets to be managed, related accounts, account composition, etc.).

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

- A. The Registrant may utilize 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)
  - Cyclical – (analysis performed on historical relationships between price and market trends, to forecast the direction of prices)

The Registrant may utilize 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)



**Please Note: Investment Risk.** Investing in securities involves risk of loss that clients should be prepared to bear. 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).

- B. The Registrant's methods of analysis and investment strategies do not present any significant or unusual risks.

However, 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, 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.

**Please Note: Inverse/Enhanced Market Strategies.** Navigator may also utilize leveraged long and short mutual funds and/or exchange traded funds that are designed to perform in either an: (1) inverse relationship to certain market indices (at a rate of 1 or more times the inverse [opposite] result of the corresponding index) as an investment strategy and/or for the purpose of hedging against downside market risk; and (2) enhanced relationship to certain market indices (at a rate of 1 or more times the actual result of the corresponding index) as an investment strategy and/or for the purpose of increasing gains in an advancing market. There can be **no assurance** that any such strategy will prove profitable or successful. In light of these enhanced risks/rewards, a client may direct Navigator, in writing, not to employ any or all such strategies for his/her/their/its accounts.

- C. Registrant recommends asset allocations based on a particular client's: economic situation, liquidity needs, risk tolerance, proposed investment period, need for diversification, reliance upon current income, present and anticipated tax situation. Registrant also considers historical yields, potential appreciation and marketability before making investment recommendations. Registrant recommends and manages many types of asset allocations, including: exchange-listed securities, mutual fund shares, corporate debt, ETFs, private funds, US government securities, and certificates of deposit on a discretionary and non-discretionary basis in accordance with the client's designated investment objective(s).

## **Item 9            Disciplinary Information**

The Registrant has not been the subject of any disciplinary actions.

## 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. **Affiliated Insurance Agency and Licensed Insurance Agent.** Registrant is under common control with Navigate Wealth, LLC, which is a licensed insurance agency. Registrant's representative and Chief Compliance Officer, Lesley Sheeley, is a licensed insurance agent of Navigate Wealth, LLC in his separate and individual capacity. As referenced in Item 4.B. above, Mr. Sheeley may recommend the purchase of certain insurance-related products on a commission basis, and clients may engage him in such a capacity.

**Conflict of Interest:** The recommendation by Registrant's representatives that a client purchase an insurance commission product through Mr. Sheeley presents a *material conflict of interest*, as the receipt of commissions may provide an incentive to recommend insurance products based on commissions received, rather than on a particular client's need. No client is under any obligation to purchase any insurance commission products through Mr. Sheeley. Clients are reminded that they may purchase insurance products recommended by Registrant through other, non-affiliated insurance agents. **The Registrant's Chief Compliance Officer, Lesley Sheeley, remains available to address any questions that a client or prospective may have regarding the above conflicts of interest.**

- D. The Registrant does not recommend or select other investment advisors for its clients.

## 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.

In accordance with Section 204A of the Investment Advisers Act of 1940, 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. This practice may create a situation where the Registrant and/or representatives of the Registrant 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 before those of the Registrant’s clients) and other potentially abusive practices.

The Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Registrant’s “Access Persons.” The Registrant’s securities transaction policy requires that Access Person of the Registrant must provide the Chief Compliance Officer or his/her designee with a written report of the their current securities holdings within ten (10) days after becoming an Access Person. Furthermore, Access Persons must provide the Chief Compliance Officer with a quarterly transaction report, detail all trades in the Access Person’s account during the previous quarter; and on an annual basis, each Access Person must provide the Chief Compliance Officer with a written report of the Access Person’s current securities holdings. However, at any time that the Registrant has only one Access Person, he or she shall not be required to submit any securities report described above.

- 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 Registrant 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 personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Registrant’s Access Persons.

## **Item 12            Brokerage Practices**

- A. In the event that the client requests that the Registrant recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct the Registrant to use a specific broker-dealer/custodian), Registrant generally recommends that investment management accounts be maintained at *Schwab* and/or *TD Ameritrade*. 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 *Schwab* and/or *TD Ameritrade* (or another broker-dealer/custodian) include 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 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 a broker-dealer's 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's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

1. Soft Dollar Arrangement

Factors that the Registrant considers in recommending a particular broker-dealer/custodian to clients include historical relationship with the Registrant, financial strength, reputation, execution, pricing, research, and service. In return for effecting securities transactions through *Schwab*, Registrant may receive certain investment research products or services valued at up to \$7,500 per year, which assist the Registrant in its investment decision making process for the client pursuant to Section 28(e) of the Securities Exchange Act of 1934 (generally referred to as a "soft-dollar" arrangement). Investment research products or services received by Registrant may include, but are not limited to, analyses pertaining to specific securities, companies or sectors; market, financial and economic studies and forecasts; financial publications, portfolio management systems, and statistical and pricing services. Although the commissions 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 is reasonable. 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 a 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. Although the investment research products or services that may be obtained by Registrant will generally be used to service all of Registrant's clients, a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client's account. With respect to investment research products or services obtained by the Registrant that have a mixed use of both a research and non-research (i.e., administrative, etc.) function, Registrant shall make a reasonable allocation of the cost of the product or service according to its use - the percentage of the product or service that provides assistance to the Registrant's investment decision-making process will be paid for with soft dollars while that portion which provides administrative or other non-research assistance will be paid for by the Registrant with hard dollars. 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.

*Schwab* may also provide the Registrant with other services intended to help the Registrant manage and further develop its business enterprise, including assistance in the following areas: consulting, publications and presentations, information technology, business succession, and marketing. In addition, *Schwab* may make available or arrange and/or pay for these types of services provided by independent third parties, including regulatory compliance.

Except as otherwise provided, *Schwab's* responsibility is limited to executing transactions pursuant to the direction of the Registrant. *Schwab* has not assisted in the selection of the Registrant and the client has the sole and exclusive responsibility for the selection of the Registrant. The client agrees that the Registrant is solely responsible for the management of client's portfolio.

**The Registrant's Chief Compliance Officer, Lesley Sheeley, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.**

#### Research and Additional Benefits

In addition to the above and 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 *Schwab* and/or *TD Ameritrade* (or another broker-dealer/custodian, unaffiliated investment manager, investment platform and/or mutual fund sponsor) 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 travel expenses and 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.

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 *Schwab* and/or *TD Ameritrade* as a result of this arrangement. There is no corresponding commitment made by the Registrant to *Schwab* and/or *TD Ameritrade* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**The Registrant's Chief Compliance Officer, Lesley Sheeley, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.**

2. The Registrant does not receive referrals from broker-dealers.
3. The Registrant does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Registrant will not seek better execution services or prices from other broker-dealers or be able to “batch” the client’s transactions for execution through other broker-dealers with orders for other accounts managed by Registrant. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

**Please Note:** In the event that the client directs Registrant to effect securities transactions for the client’s accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Registrant. Higher transaction costs adversely impact account performance.

**The Registrant’s Chief Compliance Officer, Leslev Sheeley, remains available to address any questions that a client or prospective client may have regarding the above arrangement.**

- B. To the extent that the Registrant provides investment advisory 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. The Registrant shall not receive any additional compensation or remuneration as a result of such aggregation.

## **Item 13          Review of Accounts**

- A. For those clients to whom Registrant provides investment supervisory services on a non-discretionary basis, account reviews are conducted on an ongoing by the Registrant’s Principal. All investment supervisory clients are advised that it remains their responsibility to advise the Registrant of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with the Registrant on an annual basis.
- 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, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance.

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

- A. As referenced in Item 12.A.1 above, the Registrant may receive an economic benefit from *Schwab* and/or *TD Ameritrade*. The Registrant, without cost (and/or at a discount), may receive support services and/or products from *Schwab* and/or *TD Ameritrade* (which may include direct monetary assistance from *Schwab* and/or *TD Ameritrade* to obtain certain services or products).

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

**The Registrant's Chief Compliance Officer, Lesley Sheeley, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.**

- B. 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 an unaffiliated 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 monthly basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance.



**Please Note:** To the extent that the Registrant provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by the Registrant with the account statements received from the account custodian. **Please Also Note:** The account custodian does not verify the accuracy of the Registrant's advisory fee calculation.

**The Registrant's Chief Compliance Officer, Lesley Sheeley, remains available to address any questions that a client or prospective client may have regarding custody-related issues.**

## **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, the client shall be required to execute an *Investment Advisory Agreement*, naming the Registrant as the 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. Unless the client directs otherwise in writing, the Registrant is responsible for voting client proxies (However, the client shall maintain exclusive responsibility for all legal proceedings or other type events pertaining to the account assets, including, but not limited to, class action lawsuits.). The Registrant shall vote proxies in accordance with its Proxy Voting Policy, a copy of which is available upon request. The Registrant shall monitor corporate actions of individual issuers and investment companies consistent with the Registrant's fiduciary duty to vote proxies in the best interests of its clients. Although the factors which Registrant will consider when determining how it will vote differ on a case by case basis, they may, but are not limited to, include a review of recommendations from issuer management, shareholder proposals, cost effects of such proposals, effect on employees and executive and director compensation. With respect to individual issuers, the Registrant may be solicited to vote on matters including corporate governance, adoption or amendments to compensation plans (including stock options), and matters involving social issues and corporate responsibility. With respect to investment companies (e.g., mutual funds), the Registrant may be solicited to vote on matters including the approval of advisory contracts, distribution plans, and mergers. The Registrant shall maintain records pertaining to proxy voting as required pursuant to Rule 204-2 (c)(2) under the Advisers Act. Copies of Rules 206(4)-6 and 204-2(c)(2) are available upon written request. In addition, information pertaining to how the Registrant voted on any specific proxy issue is also available upon written request. Requests should be made by contacting the Registrant's Chief Compliance Officer, Lesley Sheeley.

B. Not Applicable

**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.

**ANY QUESTIONS: The Registrant's Chief Compliance Officer, Lesley Sheeley, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**