



## **BROCHURE ADV II – Part 2A**

### **Item 1 – Cover Page**

Texas Yale Capital Corp.

**d/b/a Yale Capital Corp.**

Urb. Costa De Oro

#81, Calle C, Suite #202

Dorado, PR 00646

(787) 278-2266

&

111 2<sup>nd</sup> Ave NE, Suite 503,

Saint Petersburg, FL 33701

(727) 823-0006

[www.yalecapitalcorp.com](http://www.yalecapitalcorp.com)

February 28, 2015

This Brochure provides information about the qualifications and business practices of Yale Capital Corp. If you have any questions about the contents of this Brochure, please contact us at (787) 278-2266. The information in this Brochure has not been approved nor verified by the United States Securities and Exchange Commission or by any state securities authority.

Yale Capital Corp. is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information about which you determine to hire or retain an adviser.

Additional information about Yale Capital Corp. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).



## **Item 2 – Material Changes**

On July 28, 2010, the United States Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure is dated 02.28.2015 and has been prepared according to the SEC’s rules and requirements.

This Item discusses only specific material changes that are made to the Brochure and provides clients with a summary of such changes. We will also reference the date of our last annual update of our Brochure.

|                               |          |
|-------------------------------|----------|
| Date of Last Annual Amendment | 01.22.14 |
| Address Updated               | 12.24.14 |
| Address Updated               | 02.28.15 |

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Jennifer Wheeler at (727) 823-0006 or [info@yalecapitalcorp.com](mailto:info@yalecapitalcorp.com). Our Brochure is also available free of charge from our web site [www.yalecapitalcorp.com](http://www.yalecapitalcorp.com).

Additional information about Yale Capital Corp. is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s Web site provides information about any persons affiliated with Yale Capital Corp. who are registered, or are required to be registered, as investment adviser representatives of Yale Capital Corp.



### **Item 3 -Table of Contents**

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



#### **Item 4 – Advisory Business**

(A) Business Description:

Yale Capital Corp. (YCC) is an independent and owner-operated investment adviser, registered with the SEC since 2004. The firm is controlled by Cheyne Pace, Chairman and President.

(B) Description of Advisory Services Offered:

YCC provides investment advice and asset management to high-net-worth families. YCC exclusively manages exchange-traded securities and bonds, with an additional specialization in tax-advantaged holdings such as master limited partnerships. Assets are supervised on a discretionary or non-discretionary basis according to the client/adviser investment advisory agreement. YCC also provides financial planning services.

(C) Customized Advisory & Financial Services:

YCC customizes advisory and financial services for clients as a cornerstone objective. With a dedication to client services, YCC is able to engage in regular conversations with its clients, to ensure clients are kept informed and as in-touch with their portfolios as they wish to be. Investment strategies are designed for the individual client and all accounts are managed separately – according to the specific goals and risk tolerance of each client. Client service employees manage recurrent and rare transactions for clients as a matter of daily routine. Client wishes are followed exactly and any client-imposed restrictions respected. Furthermore, YCC can offer particular assistance to clients with Rule 144 securities and has a long history of helping clients following the sales of their companies.

(D) YCC does not participate in “wrap-fee” programs.

(E) As of 12.22.14, YCC manages \$1,613,313,202 on a discretionary basis (101 accounts). YCC calculates number of accounts by household.

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

(A) Yale Capital Corp. (YCC) charges a percentage of assets under management. All fees are subject to negotiation. Our fee range varies from 0-2% of assets under management, depending on: assets under management, and amount of work and attention involved in managing account.



Fee Schedule:

- < \$10,000,000.00 = negotiable
- > \$10,000,000.00 = negotiable
- > \$20,000,000.00 = negotiable
- > \$30,000,000.00 = negotiable

(B) The specific manner in which fees are charged by YCC is established in a client's written investment agreement with YCC. YCC will generally bill its fees on a quarterly basis, based on the agreed percentage of assets under management on the last day of the preceding quarter. Clients authorize YCC to directly debit fees from client accounts.

(C) Clients may incur charges imposed by mutual funds, exchange traded funds, custodians, brokers, third party investment and other third parties (examples: fees charged by third-party managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, electronic fund fees, fed wire fees, trading commissions or prime brokerage fees and other fees and taxes on brokerage accounts and transactions – if clients wish to engage in such transactions). Such charges, fees and commissions are exclusive of and in addition to YCC's fee, and YCC shall not receive any portion of these commissions, fees, or costs. However, YCC may deduct all brokerage transaction and money movement costs (e.g. commissions, ticket charges, fed wire fees) from the fee owed to YCC. Item 12 further describes the factors that YCC considers when selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions). As a rule, YCC avoids investing in fee intensive products unless specifically directed by clients.

(D) Accounts are billed in advance each calendar quarter, based upon the value of the account on the last day of the previous quarter and according to details included in the investment advisory agreement (IAA). New client account fees will be prorated for the remainder of the quarter. Clients may obtain a refund of pre-paid fees if the account is terminated during the quarter, providing the account has been in effect for the minimum term of the IAA; the refund amount will be calculated on a pro-rata basis according to the number of days left in the quarter ([pre-paid fee/number of days in quarter] x number of days left in quarter). For accounts closed before minimum length stated in IAA, a pro-rated fee will be charged according to the signed investment advisory agreement ([assets under management at last quarter-end x quarterly fee percentage] x number of quarters left in the agreement).

(E) Yale Capital Corp. and its supervised persons **do not accept compensation for the sale of securities or other investment products** (including asset-based sales charges or service fees from the sale of mutual funds). In our view, such a practice incentivizes advisers to recommend



products based on commissions received, rather than on a client's needs; to avoid such a conflict of interest, YCC receives compensation solely through its quarterly management fee (no commissions and no mark-ups).

(F) YCC recommends that clients verify the accuracy of the fees deducted from their accounts as errors are possible (though controls are in place to avoid them). Clients are responsible to pay for services rendered until the termination of the investment advisory agreement. The client can cancel the agreement without penalty within five days of signing the investment advisory agreement. Investment advisory services begin on the effective date of the investment advisory agreement.

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

In some cases, Yale Capital Corp. (YCC) has performance fee arrangements with qualified clients; fees are subject to individual negotiation with each client. YCC will structure any performance or incentive fee arrangement subject to Section 205(a)(1) of the Investment Advisers Act of 1940 ("The Advisers Act") in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. In measuring clients' assets for the calculation of performance-based fees, YCC shall include realized and unrealized capital gains and losses. Performance-based fee arrangements may create an incentive for YCC to recommend investments which may be riskier or more speculative than those that would be recommended under a different fee arrangement. Such fee arrangements could also create an incentive to favor higher fee paying accounts over said clients' other accounts in the allocation of investment opportunities. YCC has procedures designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

#### **Item 7 – Types of Clients**

Yale Capital Corp. (YCC) provides portfolio management services to high-net-worth individuals/families, private investment funds, and U.S. institutions. The minimum account size is \$10,000,000. However, YCC has discretion to waive the account minimum: accounts that do not meet the account minimum may be set up when the client and YCC anticipate the client will add additional funds to the accounts bringing the total up to \$10,000,000 within a reasonable time frame. Other exceptions may apply to employees of YCC and their relatives, or relatives of existing clients.



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

Yale Capital Corp. (YCC) customizes investment strategies for each client depending on their particular circumstances and requirements. YCC engages its clients in detailed discussions in order to construct and manage customized portfolios – with suitable investments and management styles.

The following considerations contribute to effective discussions, portfolio construction and management:

- (i) Client's unique circumstances: age, objectives, income and cash-flow requirements, emotional tolerance for volatility, familial and charitable giving intentions, restrictions on particular securities
- (ii) Capital market conditions
- (iii) Appreciation and income over time
- (iv) Tax-efficiency, with engagement of client's accounting and additional investment counsel when necessary

Yale Capital Corp. advisers continuously monitor individual client portfolios and make adjustments to reflect significant changes in the aforementioned variables.

(A) YCC applies fundamental analysis of securities, the broader market and other economic factors to contribute to the formulation of its investment advice. YCC's primary strategy involves investing in defensive, dividend-bearing and tax-efficient asset classes. YCC believes that, relative to a high-net-worth individual's potential benefit, frequent trading involves an unjustifiable amount of cost, and that the impact of taxes and transactions can be detrimental to performance. Analysts and advisers continuously monitor portfolios and market conditions, making judicious portfolio adjustments according to the best interests of the client. Investing in securities involves risk of loss that clients should be prepared to bear.

(B) YCC believes all forms of investment management pose market risks. The following risks are most relevant to our asset groups: interest rates, market volatility, market events, terrorism, and company management.

(C) YCC offers a specialization in master limited partnerships. While YCC considers the asset class more defensive than most, there are always risks involved in investing. Amongst MLP risks are the following: interest rate fluctuations, market volatility, market events, terrorism, company management, potential tax changes, and alternative energy competition.



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

Registered investment advisers must disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the adviser or the integrity of adviser's management.

**Yale Capital Corp. has no legal or disciplinary events, or any administrative proceedings, to report.**

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

(A) Yale Capital Corp. (YCC) and its principal executive officers are **solely in the business of providing investment advice to clients**. YCC does not sell products or other services to clients. Neither YCC, nor its *management persons* are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

(B) Neither YCC, nor its *management persons* are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading adviser, or an associated person of the foregoing entities.

(C) YCC and its *management persons* are not affiliated with any of the below types of firms. YCC utilizes Charles Schwab & Co. as its custodian, though the two firms are not linked through common ownership or subsidiary arrangements. YCC would consider using another custodian on a per client basis if requested to do so.

1. broker-dealer, municipal securities dealer, or government securities dealer or broker
2. investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund)
3. other investment adviser or financial planner
4. futures commission merchant, commodity pool operator, or commodity trading adviser
5. banking or thrift institution
6. accountant or accounting firm
7. lawyer or law firm
8. insurance company or agency
9. pension consultant
10. real estate broker or dealer
11. sponsor or syndicator of limited partnerships.





(D) In the event that YCC agrees to select other investment advisers for a client, the firm will disclose all material conflicts of interest, direct or indirect compensation from advisers, and all practices related to addressing conflicts of interest.

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

Yale Capital Corp.'s clients or prospective clients may request a copy of the firm's Code of Ethics by contacting the firm directly.

(A) YCC has a Code of Ethics for all supervised persons describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other considerations. All supervised persons at YCC must acknowledge the terms of the Code of Ethics annually, or as amended.

It is YCC's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. YCC will also not cross trades between related client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account (Although YCC has no affiliated hedge fund). An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer (YCC is not dually registered as a broker-dealer, nor does it have an affiliated broker-dealer; therefore, agency cross transactions are not applicable in YCC's case).

(B) YCC and its related persons do not recommend to clients, or buy and sell in client accounts, securities in which it or a related person has a material financial interest or conflict of interest. YCC and its related persons do, however, own securities that clients also hold – please see Item 11, Section D.



(C) YCC anticipates that, if consistent with clients' investment objectives, it will recommend to investment advisory clients or prospective clients, the purchase or sale of securities that YCC or its employees hold in their corporate/personal portfolios. YCC's employees and persons associated with YCC must follow YCC's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of YCC may trade in their own accounts securities that YCC's clients also hold or receive recommendations for.

The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of YCC will: (i) not interfere with making decisions in the best interest of advisory clients, and (ii) allow employees to invest for their own accounts, while implementing such decisions. Under the Code of Ethics certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of YCC's clients – for example, mutual funds. In addition, the Code of Ethics requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity created by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, to reasonably prevent conflicts of interest between YCC and its clients.

(D) Certain affiliate accounts may trade in the same securities as client accounts on an aggregated basis when consistent with YCC's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. YCC will retain records of the trade order (specifying each participating account) and its allocation, prior to the entry of the aggregated order. We will allocate completed orders according to the initial trade order's instructions, and we will allocate partially filled orders on a pro-rata basis and explain any exceptions.

(E) Privacy Policy -- YCC collects Non-public Personal Information from clients at account inception and occasionally thereafter, primarily to determine accounts' investment objectives and financial goals, and to assist in providing clients with a high level of service.

While YCC strives to keep client information up-to-date, we request that clients advise of changes to their Personal Information.

For purposes of this policy, "Non-public Personal Information" means:

- Personally identifiable financial information, including any information a client provides to obtain a financial product or service; any information about a client resulting from



any transaction involving a financial product or service; or any information otherwise obtained about a client in connection with providing a financial product or service to that client; and

- Any list, description, or other grouping of clients (and publicly available information pertaining to them) that is derived using any personally identifiable financial information that is not publicly available information.

Examples of Non-public Personal Information include: name, address, phone number (if unlisted), social security and tax identification numbers, financial circumstances and income, and account balances.

YCC will not disclose a client's Non-public Personal Information to anyone unless it is permitted or required by law, at the direction of a client, or is necessary to provide Yale Capital Corp.'s services to the client.

- YCC shall not sell Non-public Personal Information to anyone.
- YCC will restrict access to Non-public Personal Information to individuals within YCC who require the information in the ordinary course of servicing clients' accounts. Clients' Non-public Personal Information is used only for business purposes.
- YCC has developed procedures to safeguard client records and Non-public Personal Information.
- Non-public Personal Information may only be given to third-parties under the following circumstances:
  - To broker/dealers to open a client's brokerage account;
  - To other firms as directed by clients, such as accountants, lawyers, etc.;
  - To specified family members (as authorized by law and/or the client);
  - To third-parties as needed to provide requested services; and
  - To regulators and third-party auditors when required by law.
- At times, outside service providers (i.e. – accountants, lawyers, consultants, etc.) may review Non-public Personal Information. Such firms must sign a Non-Disclosure Agreement. YCC will review the entities' Privacy Policy to prevent misappropriation of clients' Non-public Personal Information and/or to avoid contradictions to YCC's Privacy Policy.
- YCC shall provide a Privacy Notice to clients (i.e. "natural persons") upon inception of the relationship and annually thereafter. YCC will record the dates we send our Privacy Notice to clients.
- In the event of a change to the Privacy Policy, YCC will provide its clients with a sufficient amount of time to opt out of any disclosure provisions.
- Employees must report suspected Privacy Policy breaches to the CCO and/or the Chairman.



- If an Employee receives a complaint regarding a potential identity theft issue (be it from a client or other party), the employee should immediately notify the CCO/Chairman. The CCO/Chairman will thoroughly investigate any valid complaint, and maintain a log of all complaints as well as the result of any investigations.
- In the event that unintended parties receive access to Non-public Personal Information of California residents, YCC will promptly notify those clients of the privacy breach. See Senate Bill No. 1386.
- YCC will destroy any obtained customer credit information when no longer needed to conduct its business.

## **Item 12 – Brokerage Practices**

(A) Factors Yale Capital Corp. (YCC) considers when selecting or recommending a broker-dealer for client transactions and for determining their compensation (e.g. commissions):

YCC participates in the Charles Schwab Institutional (“Schwab”) program, sponsored by Charles Schwab & Co. We may recommend Schwab to clients in need of brokerage and custodial services. If a client does not direct YCC to use a particular broker or dealer, the adviser generally uses Schwab as its broker for trade executions. Other broker/dealers, including discount brokers, may charge higher or lower commission rates for identical or similar transactions.

YCC considers the negotiated commission rates available through Schwab to be competitive, although there may exist lower commission rates at other broker-dealers. YCC realizes benefits of being able, through direct computer access, to view and evaluate current client account positions held at Schwab, to process trades quickly and efficiently in client accounts, to execute cost-effective “block” trades on behalf of multiple clients (block trades will typically only be carried out for IPOs; though, should YCC deem that a block trade is in the interests of its clients, YCC reserves right to trade in blocks for multiple clients), to receive consolidated client statements and confirmations, and year-end summaries, and to review and automatically download a wide range of information regarding client transactions. Schwab also has the capability of transacting and holding an extensive variety of mutual funds, including no load and institutional funds, in client accounts. Finally, Schwab directly debits YCC’s management fees from client accounts (providing client has provided on-going permission). For certain securities transactions, however, YCC may recommend other broker-dealers to process trades on behalf of clients.

As part of the Schwab program, YCC receives benefits that it would not receive if it did not provide investment advice to clients. While there is no direct affiliation between the investment advice given to clients and YCC’s participation in the Schwab program, economic benefits are



received by YCC which would not be received if YCC did not give investment advice to clients or have an established relationship with Schwab.

These benefits do not depend on the amount of transactions directed by YCC to Schwab, though YCC is required to maintain a minimum custody of \$10,000,000 of client assets with Schwab to utilize Schwab Institutional. Benefits may include: a dedicated trading desk that services YCC's clients, a dedicated service group and an account service manager dedicated to YCC's accounts, access to a real time order matching system, research, pricing information and other market data, ability to block client trades, electronic download of trades, duplicate and batched client statements, confirmations and year-end summaries; the ability to have advisory fees directly debited from client accounts (in accordance with federal and state requirements), and the ability to have custody fees waived. Additional benefits to Schwab Institutional membership include: consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, and marketing. In addition, Schwab may make available, arrange and/or pay for fees of a third-party providing these services to YCC.

#### 1. Research and Other Soft Dollar Benefits

While YCC can access research, services and products generally available to advisers through the Schwab Institutional Website, the firm does not have any specific soft dollar arrangements for particular benefits. This means we do not mark up or mark down client commissions to obtain products, services or research. Were YCC to engage in soft dollar arrangements with a broker, the benefits would not be limited to those clients who may have generated a particular benefit.

#### 2. Brokerage for Client Referrals

YCC does not currently receive client referrals from a broker-dealer in exchange for recommending a broker-dealer to clients. Were this to be the case, YCC would have to make additional disclosures concerning conflicts of interest and procedures concerning directing client transactions to broker-dealers in return for referrals.

#### 3. Directed Brokerage

YCC prefers clients utilize a broker with which the firm has an established relationship. While YCC is not affiliated with a particular broker-dealer, the firm uses Charles Schwab & Co. to custody client assets, transact journals and wires, and to execute trades. Should a client direct brokerage, it may not be possible to achieve the same timeliness/general level of service, or best execution as YCC may not be able to negotiate commissions or obtain volume discounts. When a



client selects the broker to be used for his/her account, the client negotiates commission rates with his/her broker. Therefore, a disparity in commission charges may exist between the commissions charged to self-directed brokerage clients and clients who hold their assets at Charles Schwab & Co.

(B) Aggregate Orders

YCC generally processes transactions for each client account independently; however, it may be advantageous to buy or sell a large quantity of securities. Therefore, YCC may combine or batch such orders to obtain best execution, and/or to negotiate more favorable commission rates or other transaction costs (that might not be available for independent orders). We will average the price and transaction costs, and allocate to client accounts according to the proportion of buy/sell orders placed in each client account.

(C) Trade Error Policy

While YCC employees follow clear procedures to execute trades with accuracy, they may make errors in submitting a discretionary or client-requested trade order. When this occurs, YCC seeks to make client accounts "whole" again by placing a correcting trade with the broker-dealer that has custody of your account. If an investment gain results from the correcting trade, the gain will remain in your account (unless the same error involved other client account(s) that should have received the gain, it is not permissible for you to retain the gain) or we confer with you and you decide to forego the gain (e.g., due to tax reasons). If the gain does not remain in your account and Charles Schwab & Co. Inc. ("Schwab") is the custodian, Schwab will donate the amount of any gain \$100 and over to charity. If a loss occurs greater than \$100, YCC will pay for the loss. Schwab will maintain the loss or gain (if such gain is not retained in your account) if it is under \$100 to minimize and offset its administrative time and expense. Generally, if related trade errors result in both gains and losses in your account, they may be netted.

In any trade error event, the client will incur zero costs for any error made by YCC. Moreover, YCC will not use "soft dollars" to correct trade errors. YCC also will not use future brokerage business to compensate a broker either directly or indirectly for absorbing the cost of correcting an error in an earlier transaction.

YCC attempts to minimize trade errors by promptly reconciling confirmations with order tickets and intended orders, and by reviewing past trade errors to understand the internal control breakdown that caused any errors.

(D) IPO Policy

Occasionally, YCC may, to the extent allowable under FINRA rules, purchase equity securities



that are part of an initial public offering (“new issues”) for client accounts. New issues shall, over time, be allocated to client accounts, on a roughly prorated basis, generally according to the assets under management. Sensitive allocation issues arise when YCC has the opportunity to participate in an offering that is expected to be over-subscribed, or to purchase a limited position in a security that might be appropriate for multiple advisory clients. Because hot issue premiums provide the potential of an immediate profit and since YCC may typically receive only a small portion of the allotments sought, YCC will exercise particular care in the allocation of these securities. YCC will prepare an Allocation Statement for IPOs that will clearly identify the proposed allocation for an IPO. In the event that an IPO is not suitable for certain clients, such clients will be excluded from the allocation. In addition, if a client is suitable but was not allocated a particular IPO due to the number of shares that were made available to YCC, then those clients will receive priority on the next IPO that YCC receives -- if the IPO is deemed by YCC to be suitable. Generally speaking, YCC will utilize a rotational methodology for allocating shares of new equity issues among eligible advisory accounts.

In certain instances YCC may execute over-the-counter securities transactions on an agency basis, which may result in advisory clients incurring two transaction costs for a single trade: a commission paid to the executing broker-dealer plus the market makers mark-up or mark-down. YCC will not receive any of these commissions.

### **Item 13 – Review of Accounts**

(A) Yale Capital Corp. (YCC) reviews client accounts regularly to ensure appropriate allocation based on YCC’s assessments of market conditions and the circumstances of the client. YCC also monitors general conditions in the stock and bond markets. Chairman/Chief Investment Officer, Mr. Cheyne Pace, reviews all accounts. There is no set minimum or maximum in place with regard to the number of accounts that he will review.

(B) Non-routine reviews and subsequent buy/sell recommendations occur when there are changes in client’s circumstances, changes in stock and bond market general conditions, and changes in mutual funds or individual securities owned by clients.

(C) Clients should receive copies of all transaction confirmations and monthly statements directly from the custodian. YCC provides performance/account reviews on a quarterly basis, or as requested by the client. Additionally, YCC will provide customized reports according to the wishes and needs of the client; examples may include specific transactions, specific security or time frame performance, summary of outgoings etc.





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

(A) Yale Capital Corp. (YCC) receives economic benefit only from its clients, and does not receive compensation from a third-party for providing advice to our clients. This is a cornerstone of our approach as we consider third-party payment to be a conflict of interest. YCC is an independent adviser, not affiliated with a broker-dealer and, thus receives compensation solely from its clients.

(B) YCC has solicitor/referral agreements with third parties who refer YCC to prospective clients. For this service, we may pay a commission percentage of the basic management fee to the third party. The commission covers the referral provision, solicitation services and any costs incurred by these efforts; this financial arrangement incurs no extra cost to the client and there are no manipulations made to management fees. Any sales information used by the solicitor is the responsibility of YCC. The solicitor does not provide investment advisory services. We fully disclose such arrangements to relevant clients and document their written acknowledgement of such disclosure.

#### **Item 15 – Custody**

Clients must receive at least quarterly statements from the broker-dealer, bank or other qualified custodian that holds and maintains client's investment assets. Yale Capital Corp. urges clients to carefully review such statements and compare such official custodial records to the account statements/reviews that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

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

Yale Capital Corp. (YCC) usually receives discretionary authority from the client to select the identity and amount of securities to be bought or sold. In all cases, however, we exercise such discretion in a manner consistent with the stated investment objectives for the particular client account. The only limitations on YCC's investment discretion will be those limitations imposed in writing by the client. YCC and the client may document investment guidelines or restrictions in writing. In order to provide YCC with the ability to trade in client accounts, clients sign the custodian's applicable documents. The custodian will then permit YCC to trade, to transfer funds between same-name accounts, and to deduct management fees. To transfer funds between accounts of different names/registrations, YCC must obtain signed client authorization.





When selecting securities and determining amounts to buy or sell, YCC observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, YCC's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

### **Item 17 – Voting Client Securities**

It is the policy of Yale Capital Corp. (YCC) to vote client proxies in a way deemed in the interest of maximizing shareholder value. To that end, YCC will vote in a way that it believes is consistent with its fiduciary duty and will cause the value of the issue to increase the most or decline the least. Consideration will be given to both the short- and long-term implications of the proposal to be voted on when considering the optimal vote.

Any general or specific proxy voting guidelines provided by an advisory client or its designated agent in writing will supersede this policy. Clients may wish to have their proxies voted by an independent third party or other named fiduciary or agent, at the client's cost.

YCC is not required to vote every client proxy and such should not necessarily be construed as a violation of YCC's fiduciary obligations. YCC shall at no time ignore or neglect its proxy voting responsibilities. However, there may be times when refraining from voting is in the client's best interest, such as when YCC's analysis of a particular client proxy reveals that the cost of voting the proxy may exceed the expected benefit to the client (i.e., casting a vote on a foreign security may require that YCC engage a translator or travel to a foreign country to vote in person).

So long as there are no identified material conflicts of interest, YCC will vote proxies according to the policy set forth above. YCC may also elect to abstain from voting if it deems such abstinence in its clients' best interests. YCC will document and permanently maintain the rationale for "abstain" votes.

If the Chairman and/or Principal detect a conflict of interest, YCC will, at its expense, engage the services of an outside proxy voting service or consultant -- who will provide an independent recommendation as to the direction in which YCC should vote on the proposal. YCC will follow the consultant's or proxy voting service's determination.

Records of all proxy votes will be kept for a minimum of 5 years and will be made available to clients upon request by contacting your Client Services representative.



### **Item 18 – Financial Information**

(A) Yale Capital Corp. (YCC) does not require prepayment of fees six months or more in advance; therefore, the firm does not include a balance sheet for the most recent fiscal year in this ADV II document.

(B) YCC has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients.

(C) YCC is not, and has not been, the subject of a bankruptcy petition.