

# Form ADV

## Part 2A

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### Eton Advisors, LP

March 31, 2015

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#### Item 1 Cover Page

This brochure ("Brochure") provides information about the qualifications and business practices of Eton Advisors, LP ("Eton"). You should review this Brochure in conjunction with our separate brochure supplement ("Supplement"). The Supplement(s) has been prepared for the purpose of providing information about the qualifications and background of the supervised person(s) working with you on our behalf or who may otherwise participate in the advisory services provided to you. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

If you have any questions about the contents of this Brochure or our Supplement(s), please contact us at 919-442-1550 or info@etonadvisors.com. Additional information about Eton or any of our supervised persons (who are registered under our firm) is also available on the SEC's Investment Adviser Public Disclosure ("IAPD") which can be found at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The format/layout of this Brochure has been dictated by the SEC. As such, the Brochure's table of contents can be found after the "Material Changes" section of this Brochure, not at the beginning of the Brochure. The subsections appearing under each heading shall follow the mandated ordering of the items required to be addressed in this Brochure as set forth in the instructions and guidance issued by the SEC in regard to Part 2A of the Form ADV. Eton's response to each such item shall immediately follow each numbered item. We encourage any reader of this Brochure to also refer to the SEC's instructions and guidance related to Part 2A of the Form ADV. Throughout this Brochure, any references to "we," "our," "ours," "us," etc. are meant to refer to Eton.

## **Item 2 Material Changes**

The filing of our most recent Annual Updating Amendment was on March 28, 2014. There have been no material changes since this last annual filing.

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## Key Definitions

There are several terms used throughout this Brochure that are defined in the Glossary of the Form ADV. The full Form ADV and its glossary can be found on the SEC's web site at <http://www.sec.gov/about/forms/formadv.pdf>, however, several of the more important terms that are used throughout this Brochure are provided below for your reference. The definitions appear below as they appear in the glossary of the ADV so be mindful that all references made to "you," "your," or "yours" are intended to refer to Eton. Each term is presented in alphabetical order, not necessarily its order of appearance or use in this Brochure.

**Advisory Affiliate:** Your advisory affiliates are (1) all of your officers, partners, or directors (or any person performing similar functions); (2) all persons directly or indirectly controlling or controlled by you; and (3) all of your current employees (other than employees performing only clerical, administrative, support or similar functions).

**Control:** Control means the power, directly or indirectly, to direct the management or policies of a person, whether through ownership of securities, by contract, or otherwise. Each of your firm's officers, partners, or directors exercising executive responsibility (or persons having similar status or functions) is presumed to control your firm. A person is presumed to control a corporation if the person: (i) directly or indirectly has the right to vote 25 percent or more of a class of the corporation's voting securities; or (ii) has the power to sell or direct the sale of 25 percent or more of a class of the corporation's voting securities. A person is presumed to control a partnership if the person has the right to receive upon dissolution, or has contributed, 25 percent or more of the capital of the partnership. A person is presumed to control a limited liability company ("LLC") if the person: (i) directly or indirectly has the right to vote 25 percent or more of a class of the interests of the LLC; (ii) has the right to receive upon dissolution, or has contributed, 25 percent or more of the capital of the LLC; or (iii) is an elected manager of the LLC. A person is presumed to control a trust if the person is a trustee or managing agent of the trust.

**Management Persons:** Anyone with the power to exercise, directly or indirectly, a controlling influence over your firm's management or policies, or to determine the general investment advice given to the clients of your firm. Generally, all of the following are management persons: Your firm's principal executive officers, such as your chief executive officer, chief financial officer, chief operations officer, chief legal officer, and chief compliance officer; your directors, general partners, or trustees; and other individuals with similar status or performing similar functions; The members of your firm's investment committee or group that determines general investment advice to be given to clients; and If your firm does not have an investment committee or group, the individuals who determine general investment advice provided to clients (if there are more than five people, you may limit your firm's response to their supervisors).

**Person:** A natural person (an individual) or a company. A company includes any partnership, corporation, trust, limited liability company ("LLC"), limited liability partnership ("LLP"), sole proprietorship, or other organization.

**Related Person:** Any advisory affiliate and any person that is under common control with your firm.

**Self-Regulatory Organization or SRO:** Any national securities or commodities exchange, registered securities association, or registered clearing agency. For example, the Chicago Board of Trade ("CBOT"), FINRA and New York Stock Exchange ("NYSE") are self-regulatory organizations.

**Supervised Person:** Any of your officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on your behalf and is subject to your supervision or control.

Additional terms used in this Brochure (but that do not come from the glossary of the Form ADV) include the following.

**Fund:** A pooled investment vehicle that is managed by the Eton, typically for the purpose of aggregating client funds in order to improve access to attractive investment strategies and managers, increase tactical efficiencies in re-balancing portfolios, and reduce investment management fees and other expenses.

**Client/You:** A client of Eton, which in the context of a Fund refers to the Fund itself and not to the underlying investors in the Fund (even though such investors are typically also clients of Eton in their own right). References in this Brochure to “you” are to our clients, be they Funds or other clients.

## Item 4 Advisory Business

### 4(A) Eton at a Glance

#### Firm Profile

Eton Advisors is an independent wealth advisory boutique dedicated to being your trusted advisor in a complex financial world. We partner with high quality specialist providers to bring a full service offering to our clients. We view ourselves as a “multi-family office,” and our clients primarily consist of individuals, family limited partnerships, foundations, trusts and other estate planning vehicles, and other business and entities associated with the families we serve. Our clients also include Funds we have established for the purpose of aggregating certain investment exposures in order to improve access to investment strategies and managers, increase tactical efficiencies in re-balancing portfolios, and reduce investment management fees and other expenses. Bank of New York Mellon serves as our custodian and CTC Consulting provides us with investment research and scale. This virtual boutique approach allows our clients' access to high quality providers, and reduces the conflict of interest among all involved. We also believe this encourages greater objectivity in advising.

Our highly credentialed team is experienced and has built an excellent cohesive culture and chemistry over the last decade.

#### Years in Business

Date of formation: April 24, 2009.

Date of initial investment adviser registration: June 29, 2009.

#### Principal Owners

The following party(s) maintains at least 25% direct/**indirect** ownership in Eton.

- Robert E. Mallernee
- Teresa Eriksson

### 4(B) Eton’s Advisory Services

In this section, we will describe the services we offer as well as the fees that correspond to those services.

#### Product Type Limitations

We generally provide investment advice in relation to the following specific types of securities/investments.

<input checked="" type="checkbox"/>	Exchange listed equities	<input checked="" type="checkbox"/>	Mutual funds (closed-end and open-end funds)
<input checked="" type="checkbox"/>	Over the counter equities	<input checked="" type="checkbox"/>	Real Estate Investment Trusts (“REITs”)

<input type="checkbox"/>	Equities of foreign issuers	<input checked="" type="checkbox"/>	Exchange traded funds
<input checked="" type="checkbox"/>	Interests in privately offered securities (hedge funds, venture capital funds, private equity funds, etc.) involving any of the following: <ul style="list-style-type: none"> <li>• Real estate</li> <li>• Oil and gas</li> <li>• Mortgages or other receivables/assets</li> <li>• Other: private equity</li> </ul>	<input checked="" type="checkbox"/>	U.S. government securities
<input type="checkbox"/>	Warrants	<input checked="" type="checkbox"/>	Options on securities
<input type="checkbox"/>	Corporate debt securities (other than commercial paper)	<input type="checkbox"/>	Options on commodities
<input type="checkbox"/>	Commercial paper	<input type="checkbox"/>	Options on futures
<input type="checkbox"/>	Certificates of deposit	<input type="checkbox"/>	Futures contracts (tangibles)
<input checked="" type="checkbox"/>	Municipal securities	<input type="checkbox"/>	Futures contracts (intangibles)
<input checked="" type="checkbox"/>	Variable life insurance	<input checked="" type="checkbox"/>	Other: Interests in the Funds we manage
<input checked="" type="checkbox"/>	Variable annuities	<input type="checkbox"/>	Other:

## Our Services

Service:	<b><i>Ongoing Asset Management</i></b>
Service description:	<p>Our ongoing asset management services can be described as follows:</p> <p><b><i>Discretionary Management:</i></b> On a discretionary basis, we may design, revise, and reallocate a custom investment portfolio for you. Investments are determined based upon factors such as your investment objectives, risk tolerance, net worth, net income, age, time horizon, tax situation and other various suitability factors.</p> <p><b><i>Non-Discretionary Management:</i></b> On a non-discretionary basis, we may provide periodic investment recommendations to you and if such recommendations are approved/authorized, we will ensure that the authorized recommendations are carried out for you.</p> <p>In addition to and sometimes as part of the services described above, Eton offers a multi-family office approach to wealth management. Eton's family office ("FO") services cover a wide range of territory. Services available to Eton's clients may include, but would not be limited to, the following.</p> <ul style="list-style-type: none"> <li>• Bill Payment &amp; Budgeting</li> <li>• Cash Flow Management</li> <li>• Client Education</li> <li>• Estate Planning</li> <li>• Family Governance</li> <li>• Family Meeting Coordination</li> <li>• Financial Planning</li> <li>• Insurance Review &amp; Coordination</li> <li>• Tax Planning</li> </ul> <p>The FO service offerings available from Eton provide a comprehensive and integrated approach to the process of handling the complex nature of the multitude of financial services and other professional disciplines that may be involved in the overall management of the investment consulting, family service, and wealth structuring process</p>

	facing affluent families.																								
Use of discretion:	<p>Depending on your individual needs and the services you request of us, we may exercise full discretion as to the following elements.</p> <p> <input checked="" type="checkbox"/> Securities to be bought or sold  <input checked="" type="checkbox"/> Amount of the securities to be bought or sold  <input checked="" type="checkbox"/> Timing as to when such securities are to be bought or sold  <input checked="" type="checkbox"/> Broker-dealer and/or custodian to be used  <input type="checkbox"/> Commission rates to be paid for securities brokerage activities  <input type="checkbox"/> Other:  <input type="checkbox"/> None </p> <p>Our specific discretionary authority will be set forth in your service agreement (“Agreement”) with us.</p>																								
Service fees:	<p>For the service described above, we will charge fees in the following manner:</p> <table border="1"> <thead> <tr> <th colspan="2">Asset-Based Fee Schedule</th> </tr> <tr> <th>Account(s)/Portfolio Value</th><th>Annual Percentage</th></tr> </thead> <tbody> <tr> <td>First \$5,000,000</td><td>1.00 %</td></tr> <tr> <td>Next \$5,000,000</td><td>0.75%</td></tr> <tr> <td>Next \$15,000,000</td><td>0.50%</td></tr> <tr> <td>Next \$25,000,000</td><td>0.40%</td></tr> <tr> <td>Next \$50,000,000</td><td>0.30%</td></tr> <tr> <td>Over \$100,000,000</td><td>0.20%</td></tr> <tr> <th colspan="2">Other fee/account maintenance conditions...</th></tr> <tr> <td>Minimum account/portfolio balance (initial):</td><td> <input type="checkbox"/> None  <input checked="" type="checkbox"/> \$20,000,000 </td></tr> <tr> <td>Minimum account/portfolio balance (ongoing):</td><td> <input checked="" type="checkbox"/> None  <input type="checkbox"/> \$ </td></tr> <tr> <td>Minimum annual fee:</td><td> <input type="checkbox"/> None  <input checked="" type="checkbox"/> \$137,500 </td></tr> </tbody> </table> <p>Eton’s fees for its FO service offering will generally be included in the asset-based fees described above.</p> <p>All fee arrangements are negotiable at our sole discretion. Specific fee arrangements, including fixed flat fees, will be set forth in your Agreement with us.</p> <p><b>Additions and Withdrawals</b></p> <p>A pro-rata fee will be charged based on the value of additional contributions over \$100,000. No portion of any prepaid fees will be refunded based on the value of partial withdrawals. You understand that the services provided hereunder are designed for long-term investments and that withdrawals may impair the achievement of your investment objectives.</p> <p>All fee arrangements are negotiable at our sole discretion. Specific fee arrangements will be set forth in your Agreement with us.</p>	Asset-Based Fee Schedule		Account(s)/Portfolio Value	Annual Percentage	First \$5,000,000	1.00 %	Next \$5,000,000	0.75%	Next \$15,000,000	0.50%	Next \$25,000,000	0.40%	Next \$50,000,000	0.30%	Over \$100,000,000	0.20%	Other fee/account maintenance conditions...		Minimum account/portfolio balance (initial):	<input type="checkbox"/> None <input checked="" type="checkbox"/> \$20,000,000	Minimum account/portfolio balance (ongoing):	<input checked="" type="checkbox"/> None <input type="checkbox"/> \$	Minimum annual fee:	<input type="checkbox"/> None <input checked="" type="checkbox"/> \$137,500
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Other fees:	In addition to our service fees, you may be assessed other fees by parties independent																								



	<p>from us. You may also incur, relative to certain investment products (such as mutual funds), charges imposed directly at the investment product level (i.e. advisory fees, administrative fees, and other fund expenses.) Brokerage fees/commissions charged to you for securities trade executions may be billed to you by the broker-dealer or custodian of record for your account, not us. Any such fees are exclusive of, and in addition to our compensation. You will be solely and directly responsible for all fees, including fees other than those we may bill directly to you.</p> <p>Refer to Item 5.(E) for additional information regarding other fees such as sales compensation, brokerage fees, custodial fees, etc.</p>
Fee collection:	<p>For the service described above, we receive our service fees by the following method(s):</p> <p><input checked="" type="checkbox"/> automatic fee deduction via the custodian; and/or  <input checked="" type="checkbox"/> direct invoice to you.</p> <p><i>Billing Via Custodian.</i></p> <p>Contemporaneously with the execution of the Agreement, you will be asked to sign an authorization that will allow the custodian of any of your account(s) to debit the account(s) the amount of our service fees and remit the fee to us. The authorization will remain valid unless and until we receive a written revocation of such authorization from you. In connection with this fee deduction process, the custodian will send you a statement, at least quarterly, indicating:</p> <ul style="list-style-type: none"> <li>• all amounts disbursed from the account, and</li> <li>• the amount of advisory fees paid directly to us.</li> </ul> <p><i>Direct billing.</i></p> <p>If so desired, you may choose to be billed directly by us for our service fees. If so chosen, you will be invoiced by the fifth business day of the month subsequent to the most recently ended billing period. Payments are due on or by the final business day of the month in which the invoice is generated.</p> <p>Specific fee arrangements will be set forth in your Agreement with us.</p>
Fee frequency/timing:	<p>For the service described above, the frequency and timing of our fee collection process occurs as follows: <input checked="" type="checkbox"/> quarterly, <input type="checkbox"/> monthly, <input checked="" type="checkbox"/> in advance, or <input type="checkbox"/> in arrears.</p> <p>Specific fee arrangements will be set forth in your Agreement with us.</p>
Advanced billing and refunds:	<p>As described above, our advisory fees may be charged in advance. Fees paid in advance will be considered earned and non-refundable to you up to the effective termination of the Agreement as the termination process is described in the Agreement. Upon receipt of a proper notice of termination ("Termination Notice") as described in the Agreement, we will calculate a pro rata refund of any fees not yet earned by us after the effective termination date of the Agreement. The pro rata refund will equal the total number of calendar days remaining in the billing period after the date of the termination of the Agreement to the end of that billing period divided by the total number of calendar days in that billing period. The result of that calculation will be multiplied by the total fee already paid for that billing period. The result of that calculation will represent the refund owed to you. Refunds of advance payments owed back to you shall be paid as soon as reasonably possible but not sooner than ten (10) business days after our receipt of a proper Termination Notice.</p>

	Specific fee arrangements will be set forth in your Agreement with us.
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Service:	<b><i>Recommendation of Other Investment Advisers</i></b>
Service description:	<p>Under this service, we may select other investment advisers (“Sub-Advisers”) on a sub-advisory basis to provide the specific investment management services related to your assets. Our services in relation to the Sub-Advisers we may recommend generally will include assisting you in choosing investment objectives and asset allocation, setting restrictions or limitations on the management of the account, explaining portfolio strategies and transactions and answering any of your questions. We will monitor such Sub-Advisers’ performance with respect their management of your assets. A description of the specific services and fees available from each Sub-Adviser can be found in such the specific Sub-Adviser’s current disclosure document(s) (i.e. Form ADV, Part 2A).</p> <p>We will retain the authority to engage or terminate each such Sub-Adviser. Any decision to engage or terminate a particular Sub-Adviser will be based upon continued suitability and performance of the Sub-Adviser in relation to its management of your assets.</p> <p>Alternatively, without specifically selecting other investment advisers to provide the specific investment management services related to your assets, we may simply recommend other investment advisers that would provide such services (not on a sub-advisory basis). Our services in relation to the other investment advisers we may recommend generally will include assisting you in choosing investment objectives and asset allocation, setting restrictions or limitations on the management of the account, explaining portfolio strategies and transactions and answering any of your questions. We will monitor such outside investment advisers’ performance with respect their management of your assets.</p> <p>A description of the specific services and fees available from the outside investment adviser can be found in such other investment adviser’s current disclosure document(s) (i.e. Form ADV, Part 2A). We will NOT retain the authority to engage or terminate such other investment advisers. At all times, you will retain the authority to engage or terminate such other investment advisers that we may recommend.</p>
Use of discretion:	<p>In connection with the services described above, we may retain the authority to engage or terminate each any Sub-Adviser we may select for you. Any decision to engage or terminate a particular Sub-Adviser will be based upon continued suitability and performance of the Sub-Adviser in relation to its management of your assets. When using outside investment advisers whom we do not have the authority to engage or terminate on your behalf, you will retain full authority to engage or terminate such other investment advisers.</p> <p>We do not possess or exercise investment discretion in connection with the underlying assets managed by any Sub-Adviser or other outside investment adviser.</p>
Service fees:	For the service described herein, we aggregate all assets related to any client relationship (whether managed directly by Eton Advisors or by a sub-advisor selected by Eton Advisors) and utilize the same fee schedule as reflected above in the services fees section under “Ongoing Asset Management.”
Other fees:	In addition to our service fees, you may be assessed other fees by parties independent from us. You may also incur, relative to certain investment products (such as mutual funds), charges imposed directly at the investment product level (i.e. advisory fees,

	<p>administrative fees, and other fund expenses.) Brokerage fees/commissions charged to you for securities trade executions may be billed to you by the broker-dealer or custodian of record for your account, not us. Any such fees are exclusive of, and in addition to our compensation. You will be solely and directly responsible for all fees, including fees other than those we may bill directly to you.</p> <p>For more details, please refer to the Sub-Adviser's or other investment adviser's current disclosure document(s) (i.e. Form ADV, Part 2A).</p> <p>Refer to Item 5.(E) and for additional information regarding other fees such as sales compensation, brokerage fees, custodial fees, etc.</p>
Fee frequency/timing/ collection:	<p>For the service described above, the frequency and timing of our fee collection process occurs as follows: <input checked="" type="checkbox"/> quarterly, <input type="checkbox"/> monthly, <input checked="" type="checkbox"/> in advance, or <input type="checkbox"/> in arrears. Additionally, we receive our service fees by the following method(s):</p> <p><input checked="" type="checkbox"/> automatic fee deduction via the custodian  <input checked="" type="checkbox"/> via the other investment adviser(s) managing your assets</p> <p><i>Billing Via Custodian.</i></p> <p>Contemporaneously with the execution of the Agreement, you will be asked to sign an authorization that will allow the custodian of any of your account(s) to debit the account(s) the amount of our service fees and remit the fee to us. The authorization will remain valid unless and until we receive a written revocation of such authorization from you. In connection with this fee deduction process, the custodian will send you a statement, at least quarterly, indicating:</p> <ul style="list-style-type: none"> <li>• all amounts disbursed from the account, and</li> <li>• the amount of advisory fees paid directly to us.</li> </ul> <p><i>Use of Sub-Advisers or Other Investment Advisers:</i></p> <p>If another investment adviser is managing your assets, we will not bill or invoice you directly for our fees related to the recommendation or selection of other investment advisers. The fees charged by other investment advisers are assessed by such parties. Such fees may be charged in advance or in arrears; monthly, quarterly, or annually. Further, fees may be collected via the custodian or by way of direct billing by such investment adviser. Regardless of the other investment adviser's billing practices, our compensation will be received directly from you in accordance with our normal and customary billing practices. Your specific fee arrangements will be set forth in your Agreement with us.</p> <p><i>Direct billing.</i></p> <p>If so desired, you may choose to be billed directly by us for our service fees. If so chosen, you will be invoiced by the fifth business day of the month subsequent to the most recently ended billing period. Payments are due on or by the final business day of the month in which the invoice is generated.</p> <p>Specific fee arrangements will be set forth in your Agreement with us.</p>
Advanced billing and refunds:	<p>As described above, our advisory fees may be charged in advance. Fees paid in advance will be considered earned and non-refundable to you up to the effective termination of the Agreement as the termination process is described in the Agreement. Upon receipt of a proper notice of termination ("Termination Notice") as described in the Agreement, we</p>

	<p>will calculate a pro rata refund of any fees not yet earned by us after the effective termination date of the Agreement. The pro rata refund will equal the total number of calendar days remaining in the billing period after the date of the termination of the Agreement to the end of that billing period divided by the total number of calendar days in that billing period. The result of that calculation will be multiplied by the total fee already paid for that billing period. The result of that calculation will represent the refund owed to you. Refunds of advance payments owed back to you shall be paid as soon as reasonably possible but not sooner than ten (10) business days after our receipt of a proper Termination Notice.</p> <p><i>Use of other Investment Advisers:</i></p> <p>If another investment adviser(s) is used to manage your assets, any available refund process for fees that may be collected in advance will be dictated by such other investment adviser's disclosure document(s) and/or service agreement(s) with you.</p> <p>For more details, please refer to the Sub-Adviser's or other investment adviser's current disclosure document(s) (i.e. Form ADV, Part 2A and/or Appendix 1 of Part 2A). Your specific fee arrangements will be set forth in your Agreement with us.</p>
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Service:	<b><i>Financial Planning</i></b>
Service description:	<p>We may prepare a written financial plan for our clients. Our financial planning services may involve consultation, analysis, and recommendations in the six areas of financial planning, which include (1) financial situation; (2) income taxes; (3) insurance; (4) investments; (5) retirement planning; and (6) estate planning.</p> <p>In order to determine a suitable course of action for an individual client, we will perform a review of the variables that are presented. This review may include, but would not necessarily be limited to, investment objectives, consideration of your overall financial condition, income and tax status, personal and business assets, risk profile, and other factors unique to your particular circumstances.</p> <p>We will review your present financial situation and issue a written analysis and report of recommendations in accordance with your goals and objectives. This service may include an initial consultation and subsequent follow-up visits. The services provided in this regard may include but would not be limited to the following:</p> <ul style="list-style-type: none"> <li>• Analyze cash flow and net worth;</li> <li>• Review current investments and make recommendations thereon;</li> <li>• Review client's most recent tax returns and provide tax planning advice or tax preparation services;</li> <li>• Review client's life insurance and disability insurance and make recommendations thereon;</li> <li>• Review client's estate plan and make recommendations thereon;</li> <li>• Send out quarterly newsletters</li> <li>• Complete a retirement analysis; and</li> <li>• Provide education planning advice.</li> </ul> <p>As a full service, multi-family office ("MFO") organization, we will assist in the implementation of the plan.</p>

Use of discretion:	As part of its financial planning services, we do not possess or exercise investment discretion.
Service fees:	We do not charge a separate fee for our financial planning services; this service is generally covered by our fees for ongoing asset management services.
Other fees:	<p>As a result of the implementation of a financial plan that we may prepare for you, you may also incur, relative to certain investment products (such as mutual funds), charges imposed directly at the investment product level (i.e. advisory fees, administrative fees, and other fund expenses.) Brokerage fees/commissions charged to you for securities trade executions may be billed to you by the broker-dealer or custodian of record for your account, not us. Any such fees are exclusive of, and in addition to our compensation. You will be solely and directly responsible for all fees, including fees other than those we may bill directly to you.</p> <p>Refer to Item 5.(E) for additional information regarding other fees such as sales compensation, brokerage fees, custodial fees, etc.</p>
Fee collection:	Refer to the fee collection information above for our ongoing asset management services.
Fee frequency/timing:	Refer to the fee frequency/timing information above for our ongoing asset management services.
Advanced billing and refunds:	Refer to the advance billing and refund information above for our ongoing asset management services.
Service:	<b><i>Pooled Investment Vehicles (Farrington Funds)</i></b>
Service description:	We established the Funds to aggregate certain investment exposures in order to improve access to investment strategies and managers, increase tactical efficiencies in re-balancing portfolios, and reduce investment management fees and other expenses. By aggregating in the Funds common investment exposures across client families, we seek to improve client investment performance while reducing certain costs of investing. Separate Funds have been established to pursue separate investment strategies (e.g., there is a Fund that invests in income-oriented fixed income and related strategies, and a Fund that invests in non-U.S. equity and equity-oriented strategies).
Use of discretion:	Eton serves as the investment manager of each Fund and manages each Fund's investment activities on a fully discretionary basis. Eton's investment discretion for the Funds includes the authority to retain third party investment managers to invest certain assets of a Fund on a discretionary or non-discretionary basis.
Service fees:	Eton does not charge a separate management fee for advising the Funds – either to the Funds themselves or to the clients of Eton that invest in the Funds. Clients that invest in the Funds continue to pay their normal relationship-based quarterly fees, regardless of how much of their assets are invested in the Funds. Moreover, neither Eton nor any of its affiliates will be paid any “carried interest” or other form of incentive compensation based on the performance of the Funds. The Funds were created for the principal purpose of benefitting Eton Advisors' clients, and not to create additional sources of revenue for Eton Advisors.
Other fees:	Eton is entitled to reimbursement for internal costs, not to exceed on an annualized basis 0.08% of the net asset value of a Fund, incurred by Eton and its affiliates in connection with providing administrative and similar services that would not otherwise have been

	incurred but for the existence of the Funds, including employment related expenses, costs associated with processing and maintaining subscription and other legal documents of the Funds, costs of obtaining independent, third-party quarterly or annual investment reports of the Funds, costs associated with calculating a monthly net asset value for the Funds and reflecting that value in the appropriate client accounts, and costs of processing periodic Fund additions and withdrawals by investors (the “ <u>Internal Cost Reimbursement</u> ”).
Fee collection:	The amount of the Internal Cost Reimbursement to be paid by a Fund is determined by Eton in good faith and may be assessed and accrued on a monthly basis.
Fee frequency/timing:	See above.
Advanced billing and refunds:	N/A

Service:	<i>Publication of Periodicals or Newsletters</i>
Service description:	We publish a quarterly newsletter that is sent out to our current clients, as well as prospective clients, that provides an economic update.
Service Frequency:	Quarterly
Service Fee:	At no additional cost for clients.

## 4(C) Customization of Advisory Services

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To the fullest extent possible, we will endeavor to tailor our advisory services to meet the specific needs of each and every client. In order to determine a suitable course of action for an individual client, we will perform a review of our clients’ financial circumstances and other factors that may influence the investment recommendations we may make to you from time to time. Such review may include, but would not necessarily be limited to, investment objectives, consideration of a client’s overall financial condition, income and tax status, personal and business assets, risk profile, and other factors unique to a client’s particular circumstances.

In making investment recommendations on behalf of a client, we will rely on a data gathering document or other questionnaire, which would be completed based on information provided by a client.

Our clients, excluding the Funds (which we manage on a fully discretionary basis), are free to impose any restrictions or other conditions with regard to how we provide our advisory services. If we agree to such restrictions and/or conditions, please be advised that restrictions and guidelines that you impose on our investment management functions may affect the composition and performance of custom portfolios (as a result, performance of custom portfolios within the same investment objective may differ and you should not expect that the performance of a custom portfolio will be identical to any other individual’s portfolio performance) as well as any recommendations provided to you.

## 4(D) Wrap Fee Program Participation

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None of our investment advisory services involve the use of wrap programs.

## **4(E) Assets Under Management<sup>1</sup> (“AUM”)**

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As of December 31, 2014, Eton managed a total of \$1,263,701,319 of which \$1,063,586,433 is managed on a discretionary basis and \$457,120,568 on a non-discretionary basis. In addition to these assets under management, Eton advised clients on a solely investment consulting basis. We refer to these other assets as “assets under advisement.” The value of these other assets under advisement is approximately \$80,468,768 as of December 31, 2014.

## **Item 5 Fees and Compensation**

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### **5(A) Eton Advisory Fees**

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Refer above to Item 4(B)

### **5(B) Fee Collection Process**

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Refer above to Item 4(B)

### **5(C) Other Fee/Expenses**

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Refer above to Item 4(B)

### **5(D) Fees Charged in Advance**

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Refer above to Item 4(B)

### **5(E) Additional Compensation**

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Item 5(E) requires us to address situations in which we or any of our supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds. Neither we, nor any of our supervised persons are party to such arrangements.

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

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We do not charge performance-based fees.

## **Item 7 Types of Clients**

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We will generally provide our services to the following types of clients.

- Individuals
- High net worth individuals
- Foundations / charitable organizations
- Trusts for natural persons
- Estates for natural persons

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<sup>1</sup> The term, “assets under management” shall carry the same meaning as that term is defined by Form ADV.

- Business or corporate entities
- Family investment entities
- Pooled investment vehicles

For information on any minimum fees, minimum initial/ongoing account balances, or other conditions we may impose, please refer to Item 4(B)



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

### 8(A) Methods of Analysis

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In the course of our management process and as appropriate on a case by case basis, we will employ some or all of the following methods of analysis. For a description of the risks related to each particular method of analysis, see the information following each analysis method description. A description of each key risk appears later in this section.

#### Fundamental

Fundamental analysis is generally the considered the opposite approach to technical analysis. Fundamental analysis involves the attempt to identify the intrinsic value (i.e. the actual, true/real value) of an investment instrument by examining any related economic, financial, and other quantitative/qualitative factors relevant to that instrument. Fundamental analysis can take into account anything that may impact the underlying value of the instrument. Examples of such things may include large-scale economic issues such as the overall condition or current cycle of the economy, industry-specific or sector-specific conditions, etc. Other company/issuer-specific factors may also be taken into consideration such as the company's/issuer's current financial condition, management experience and capabilities, legal/regulatory matters, the overall type and volume of current and expected business, etc.

One of the goals of fundamental analysis is to attempt to derive a value that can be compared to the current market price for a particular financial instrument in hopes of determining whether the instrument is overpriced (time to sell) or underpriced (time to buy).

Key risk(s): Economic Risk, Financial Risk, Inflation Risk, and Interest Rate Risk.

Investing in securities or other investment products involves the risk of loss and you should be prepared to bear such losses.

### 8(A) (cont.) Investment Strategies

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In the course of our management process and as appropriate on a case by case basis, we will employ any of the following investment strategies. For a description of the risks related to each particular investment strategy, see the information following each strategy description. The codes used below relate to risks described further below in this section.

#### Long-Term Purchases

Long-term purchases generally involve the acquisition of an investment instrument and holding it for a period of at least one year.

Key risk(s): Capital Risk, Economic Risk, Financial Risk, Inflation Risk, Interest Rate Risk, Legal/Regulatory Risk, Liquidity Risk, Market Risk, Operational Risk, Strategy Risk.

#### Short-Term Purchases

Short-term purchases generally involve the acquisition of an investment instrument and holding it for a period of not more than one year.

Key risk(s): Capital Risk, Economic Risk, Financial Risk, Higher Trading Costs, Interest Rate Risk, Legal/Regulatory Risk, Liquidity Risk, Market Risk, Operational Risk, Strategy Risk.

#### Option Writing (including covered/uncovered options or spreading strategies)

We will also employ the use of options trading in the event that such trading complements an investment strategy we may be carrying out for a particular client. An option is the right either to buy or sell a specified amount or value of a particular underlying investment instrument at a fixed price (i.e. the “exercise price”) by exercising the option before its specified expiration date. Options giving you the right to buy are called “call” options. Options giving you the right to sell are called “put” options. When trading options on behalf of a client, we may use covered or uncovered options or various strategies such as spreads and straddles. Covered options involve options trading when you own the underlying instrument on which the option is based. Uncovered options involve options trading when you do not own the underlying instrument on which the option is based. Spread options are options whose values are derived from the difference in price of two different underlying assets or components.

Key risk(s): Capital Risk, Economic Risk, Financial Risk, Higher Trading Costs, Interest Rate Risk, Legal/Regulatory Risk, Liquidity Risk, Market Risk, Operational Risk, Strategy Risk.

Investing in securities or other investment products involves the risk of loss and you should be prepared to bear such losses.

## **8(B) Risk Disclosures**

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### **Capital Risk**

Capital risk is one of the most basic, fundamental risks of investing; it is the risk that you may lose 100 percent of your money. All investments carry some form of risk and the loss of capital is generally a risk for any investment instrument.

### **Credit Risk**

Credit risk can be a factor in situations where an investment’s performance relies on a borrower’s repayment of borrowed funds. With credit risk, an investor can experience a loss or unfavorable performance if a borrower does not repay the borrowed funds as expected or required. Investment holdings that involve forms of indebtedness (i.e. borrowed funds) are subject to credit risk.

### **Currency Risk**

Fluctuations in the value of the currency in which your investment is denominated may affect the value of your investment and thus, your investment may be worth more or less in the future. All currency is subject to swings in valuation and thus, regardless of the currency denomination of any particular investment you own, currency risk is a realistic risk measure. That said, currency risk is generally a much larger factor for investment instruments denominated in currencies other than the most widely used currencies (U.S. dollar, British pound, Euro, Japanese yen, etc.).

### **Economic Risk**

The prevailing economic environment is important to the health of all businesses. Some companies, however, are more sensitive to changes in the domestic or global economy than others. These types of companies are often referred to as cyclical businesses. Countries in which a large portion of businesses are in cyclical industries are thus also very economically sensitive and carry a higher amount of economic risk. If an investment is issued by a party located in a country that experiences wide swings from an economic standpoint or in situations where certain elements of an investment instrument are hinged on dealings in such countries, the investment instrument will generally be subject to a higher level of economic risk.

### **Financial Risk**

Financial risk is represented by internal disruptions within an investment or the issuer of an investment that can lead to unfavorable performance of the investment. Examples of financial risk can be found in cases like Enron or many of the dot com companies that were caught up in a period of extraordinary market valuations that were not based on solid financial footings of the companies.

### **Higher Trading Costs**

For any investment instrument or strategy that involves active or frequent trading, you may experience larger than usual transaction-related costs. Higher transaction-related costs can negatively affect overall investment performance.

**Inflation Risk**

Inflation risk involves the concern that in the future, your investment or proceeds from your investment will not be worth what they are today. Throughout time, the prices of resources and end-user products generally increase and thus, the same general goods and products today will likely be more expensive in the future. The longer an investment is held, the greater the chance that the proceeds from that investment will be worth less in the future than what they are today. Said another way, a dollar tomorrow will likely get you less than what it can today.

**Interest Rate Risk**

Certain investments involve the payment of a fixed or variable rate of interest to the investment holder. Once an investor has acquired or has acquired the rights to an investment that pays a particular rate (fixed or variable) of interest, changes in overall interest rates in the market will affect the value of the interest-paying investment(s) they hold. In general, changes in prevailing interest rates in the market will have an inverse relationship to the value of existing, interest paying investments. In other words, as interest rates move up, the value of an instrument paying a particular rate (fixed or variable) of interest will go down. The reverse is generally true as well.

**Legal/Regulatory Risk**

Certain investments or the issuers of investments may be affected by changes in state or federal laws or in the prevailing regulatory framework under which the investment instrument or its issuer is regulated. Changes in the regulatory environment or tax laws can affect the performance of certain investments or issuers of those investments and thus, can have a negative impact on the overall performance of such investments.

**Liquidity Risk**

Certain assets may not be readily converted into cash or may have a very limited market in which they trade. Thus, you may experience the risk that your investment or assets within your investment may not be able to be liquidated quickly, thus, extending the period of time by which you may receive the proceeds from your investment. Liquidity risk can also result in unfavorable pricing when exiting (i.e. not being able to quickly get out of an investment before the price drops significantly) a particular investment and therefore, can have a negative impact on investment returns.

**Market Risk**

The market value of an investment will fluctuate as a result of the occurrence of the natural economic forces of supply and demand on that investment, its particular industry or sector, or the market as a whole. Market risk may affect a single issuer, industry or sector of the economy or may affect the market as a whole. Market risk can affect any investment instrument or the underlying assets or other instruments held by or traded within that investment instrument.

**Operational Risk**

Operational risk can be experienced when an issuer of an investment product is unable to carry out the business it has planned to execute. Operational risk can be experienced as a result of human failure, operational inefficiencies, system failures, or the failure of other processes critical to the business operations of the issuer or counter party to the investment.

**Past Performance**

Charting and technical analysis are often used interchangeably. Technical analysis generally attempts to forecast an investment's future potential by analyzing its past performance and other related statistics. In particular, technical analysis often times involves an evaluation of historical pricing and volume of a particular security for the purpose of forecasting where future price and volume figures may go. As with any investment analysis method, technical analysis runs the risk of not knowing the future and thus, investors should realize that even the most diligent and thorough technical analysis cannot predict or guarantee the future performance of any particular investment instrument or issuer thereof.

**Strategy Risk**

There is no guarantee that the investment strategies discussed herein will work under all market conditions and each investor should evaluate his/her ability to maintain any investment he/she is considering in light of his/her own investment time horizon. Investments are subject to risk, including possible loss of principal.

## 8(C) Investment-Specific Risks

There is no single type of investment instrument that we predominantly recommend, however, all investments carry some form and degree of risk. Certain types of investments carry greater types and levels of risk than others and you should understand not only the investment product itself but also the attendant risk factors associated with such products.

## Item 9 Disciplinary Information

The purpose of this section is for us to disclose to you any legal, disciplinary, or other events that you may consider material in your evaluation of our firm or the integrity of our management. Following each of the items below, we shall provide details as to each applicable matter or we will answer “No.” This information is presented in a question and answer format. The time period required to be covered by our answers in this section is ten years from the date of the events requiring disclosure.

### 9(A) Criminal or Civil Action

In any domestic, foreign, or military court of competent jurisdiction, has Eton or any of its management persons...		
Been convicted of, or pled guilty or nolo contendere (“no contest”) to (a) any felony; (b) a misdemeanor that involved investments or an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, or extortion; or (c) a conspiracy to commit any of these offenses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Been identified as the named subject of a pending criminal proceeding that involves an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Been found to have been involved in a violation of an investment-related statute or regulation; or	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Been the subject of any order, judgment, or decree permanently or temporarily enjoining, or otherwise limiting, your firm or a management person from engaging in any investment-related activity, or from violating any investment-related statute, rule, or order?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

### 9(B) Administrative Proceedings

Has Eton or any of its management persons been the subject of an administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority in which Eton or any of its management persons...		
Was found to have caused an investment-related business to lose its authorization to do business; or	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Was found to have been involved in a violation of an investment-related statute or regulation and was the subject of an order by the agency or authority...		
denying, suspending, or revoking the authorization of Eton or one of its management persons to act in an investment-related business;	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
barring or suspending Eton or one of its management person’s association with an investment-related business;	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
otherwise significantly limiting Eton or one of its management	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

person's investment-related activities; or		
imposing a civil money penalty of more than \$2,500 on Eton or one of its management persons?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

## 9(C) SRO Proceedings

Has Eton or any of its management persons been involved in a SRO proceeding in which Eton or any of its management persons ...		
Was found to have caused an investment-related business to lose its authorization to do business; or	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Was found to have been involved in a violation of the SRO's rules and was: (i) barred or suspended from membership or from association with other members, or was expelled from membership; (ii) otherwise significantly limited from investment-related activities; or (iii) fined more than \$2,500?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

## Item 10 Other Financial Industry Activities and Affiliations

The following information will address any active or pending financial industry affiliations that you need to know about for the purpose of identifying any related conflicts of interest that you might consider material in regard to letting us handle your investment advisory needs.

### 10(A) Broker-Dealers

Neither Eton nor any of its management persons is registered as a broker-dealer nor do either parties have an application pending or otherwise in process for the purpose of seeking registration as a broker-dealer. Further, none of our management persons are registered as or currently seeking registration as a registered representative of a broker-dealer.

### 10(B) Futures Commission Merchants, Introducing Brokers, Commodity Trading Advisors, Commodity Pool Operators

Neither Eton nor any of its management persons is registered as a futures commission merchant, an introducing broker, a commodity trading adviser, or a commodity pool operator, nor do either parties have an application pending or otherwise in process for the purpose of seeking registration as any of these types of firms. Further, none of our management persons are registered as or currently seeking registration as associated persons of any of these types of firms.

### 10(C) Related Persons

The purpose of this section is to address any relationship or arrangement (that is material to (1) our advisory business or (2) our clients) that we or any of our management persons have with any of our related persons that meet certain categories as identified by the Form ADV. Those categories are listed below and in the event that we have a related person that is included in one of those categories, we will address not only the relationship or arrangement that is material to our advisory business or our clients but also any conflict(s) arising out of this relationship/arrangement and how we address such conflict(s). It should be understood that if the checkbox immediately preceding a category is unselected, that category shall be deemed not applicable for the purpose of this item 10(C)

☐ **Broker-dealer, municipal securities dealer, or government securities dealer or broker**

☐ 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)

☐ Other investment adviser or financial planner

☐ Futures commission merchant, introducing broker, commodity pool operator, or commodity trading advisor

☐ Banking or thrift institution

☐ Accountant or accounting firm

☐ Lawyer or law firm

☐ Insurance company or agency

☐ Pension consultant

☐ Real estate broker or dealer

☒ Sponsor or syndicator of limited partnerships

*Related Person: Farrington Funds GP LLC, which serves as the general partner of the Funds. Conflict: We do not believe there are any material conflicts of interest associated with our operation of the Funds or the fact that a Related Person serves as the general partner of the Funds.*

## 10(D) Use of Other Investment Advisers

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As described previously in Item 4(B), from time to time we may recommend or select other investment advisers for you and in return, however we will not participate in the compensation (i.e. solicitor/referral fees) derived from such other investment advisers.

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

### 11(A) Code of Ethics

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We take great pride in our commitment to serving our clients’ needs and the integrity with which we conduct our business. In our recent history, the financial services industry has come under significant scrutiny, especially in the area of the inherent responsibility of financial professionals to behave in the best interests of their clients.

We have developed a Code of Ethics (“Code”) as a means of memorializing our vision of appropriate and professional conduct in carrying out the business of providing investment advisory services. Our Code addresses issues such as the following:

- Standards of conduct and compliance with applicable laws, rules, and regulations
- Protection of material non-public information
- The addressing of conflicts of interest
- Employee disclosure and reporting of personal securities holdings and transactions
- The firm’s IPO and private placement policy
- The reporting of violations of the Code
- Educating employees about the Code

- Enforcement of the Code

Each of our representatives has been furnished with a copy of our Code and has signed their names to a written acknowledgement attesting to their understanding of the Code and acceptance of its terms. A copy of our Code is available to all current and/or prospective clients upon request.

## **11(B) Participation in Client Trading**

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The information in this item is intended to address situations in which we or one of our related persons may have a material financial interest in the investment instruments we may recommend to you. No such arrangements exist.

## **11(C) Trading Alongside Our Clients**

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On occasion, we may invest for our own accounts or have a financial interest in the same securities or other investments that we recommend or acquire for the accounts of our clients. Further, we may also engage in transactions that are the same as or different than transactions recommended to or made for our client's accounts. Such transactions are permitted if effected, pre-cleared and reported in compliance with our policy on personal securities transactions. Generally, personal securities transactions will not be pre-cleared when an order for the same or a related security is pending for the account of a client. Our Designated Supervisor reviews reports of personal transactions in securities by all of our associated persons quarterly or more frequently if required.

### Investment Policy

None of our associated persons may effect for himself/herself or for accounts in which he/she holds a beneficial interest, any transactions in a security which is being actively recommended to any of our clients, unless in accordance with the following procedures.

### Firm Procedures

In order to implement our Investment Policy, the following procedures have been put into place.

- 1) If we are recommending that any of our clients buy any security, no associated person may purchase that security prior to a client's purchase of that security; and
- 2) If we are recommending that any of our clients sell any security, no associated person may sell that security prior to a client's sale of that security.

As an alternative to the procedures described in the preceding points, we may include our own order(s) in a batch order with other client orders that would involve average pricing for the entire batch such that we would receive the same pricing as all other clients participating in the batch.

It is the primary intent of these procedures to ensure that the best interests of our clients are always served over that of our own. Trading on our own behalf that results in our own interests being served over that of our clients could be considered a breach of our fiduciary duty and thus, is aggressively discouraged.

## **11(D) Trading Around the Same Time as Clients**

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The information in this item is intended to address situations in which we or any of our related persons may invest in the investment instruments we may recommend to you. Since we do not make recommendations as to specific securities instruments, no such arrangements exist.

Transactions for the client's account generally will be effected independently, unless we decide to purchase or sell the same securities for several clients at the same or approximately the same time. We may (but are not obligated to) combine or "batch" such orders in order to obtain best execution or to negotiate more favorable transaction rates. To the extent that we elect to aggregate client orders for the purchase or sale of securities, including securities in

which our associated persons may invest, we will generally do so in accordance with the parameters set forth in SEC No-Action Letter, *SMC Capital, Inc.* We will not receive any additional compensation or remuneration as a result of a batched order.

## **Item 12 Brokerage Practices**

The purpose of this Item is to present to you the factors that we take into consideration when (1) selecting or recommending broker-dealers to you for the purpose of effecting transactions on your behalf and (2) for determining the reasonableness of such broker-dealers' compensation related to such transactions.

Unless the client directs otherwise, Eton will generally recommend that all the client's accounts be maintained at, by, or through certain other firms that are unaffiliated with Eton.

Factors that we consider in recommending certain broker-dealers or custodians to our clients may include such entity's financial strength, reputation, execution, pricing, and service. In return for effecting securities transactions through certain broker-dealers/custodians, we or certain of our supervised persons may receive certain support services that may assist us in our investment decision-making process for all of our clients.

In seeking best execution, the determinative factor is not always the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of brokerage services, including factors such as execution capability, commission rates, and responsiveness. Accordingly, although we will seek competitive rates, we may not necessarily obtain the lowest possible commission rates for the client's account transactions.

### **12(A) (1) Research and Soft Dollar Benefits**

Soft dollar benefits are items such as research or other products or services (other than the typical execution and other brokerage services available to all other investment advisers) that an investment adviser may receive from a broker-dealer(s) or other party in connection with the client securities transactions are directed to that particular broker-dealer(s). We do not participate in any soft dollar arrangements.

### **12(A) (2) Brokerage for Client Referrals**

In certain circumstances, firms like ours may receive client referrals as a result of recommending particular broker-dealers or other service providers. We, however, do not participate in any formal arrangements wherein we receive client referrals from any particular broker-dealer in return for selecting or recommending such broker-dealer.

### **12(A) (3) Directed Brokerage**

This item is intended to address situations where we may recommend, request, or require you to provide us instructions as to how to direct brokerage activity on your behalf.

#### ***12(A) (3) (a) Directed Brokerage – Recommended, Requested, or Required***

Not all investment advisers require their clients to direct brokerage activity through any particular broker-dealer. We do not routinely recommend, request, or require that you direct us as to how to execute brokerage transactions on your behalf (i.e. using a particular broker-dealer for execution purposes).

#### ***12(A) (3) (b) Directed Brokerage – Permitted***

Not all investment advisers require their clients to direct brokerage activity through any particular broker-dealer, however, you may direct us to use a particular broker-dealer (subject to our right to decline such a request) to execute some or all transactions for your account or otherwise on your behalf. In such an event, we will not



negotiate terms and arrangements for the account with the other broker-dealer, and we will not seek better execution services or prices from other broker-dealers or be able to “batch” the transactions for execution through other broker-dealers with orders for other accounts we manage. As a result, you 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.

## **12(B) Order Batching**

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Transactions for the client’s account generally will be effected independently, unless we decide to purchase or sell the same securities for several clients at the same or approximately the same time. We may (but are not obligated to) combine or “batch” such orders in order to obtain best execution or to negotiate more favorable transaction rates. Reasoning for attempting to effect a batch order is that we may need to trade in the same security for multiple accounts at or around the same time and batching may allow us to achieve a more favorable price on average for all clients. Batching, however, doesn’t guarantee the lowest possible price for execution, however, it is intended to reduce the overall volatility in execution price for a large number of orders that if not batched together, may experience significantly different execution prices. Conversely, in the event that we do not batch a group of orders that otherwise may be a prime candidate for a batched order, the resulting cost for some clients may be higher or lower than what we might be able to achieve by processing a batched order for the benefit of those same clients.

To the extent that we elect to aggregate client orders for the purchase or sale of securities, including securities in which our associated persons may invest, we will generally do so in accordance with the parameters set forth in SEC No-Action Letter, *SMC Capital, Inc.* We will not receive any additional compensation or remuneration as a result of a batched order.

## **Item 13 Review of Accounts**

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### **13(A) Review of Accounts or Financial Plans**

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#### **Review of client accounts.**

Throughout the year, the Firm performs a review of client accounts for best execution, suitability, and service. In addition, the Investment Committee members review the performance and cost basis for client transactions. Client investment objectives (which, in the case of a Fund, are established by Eton on behalf of the Fund) are used to review for suitability. Throughout the year, transactions are reviewed referencing client investment objectives for any transaction that may not fit client stated objectives, or our understanding of client investment objectives will be flagged and reviewed with the investment adviser representative placing the trade(s).

The periodic review process described above will be performed by the Firm, including a review by the Eton Investment Committee members with the following titles.

- Robert E. Mallernee – Chief Executive Officer
- W. Jackson Parham – Chief Investment Officer
- Brad F. Dalton – Relationship Manager

#### **Review of Financial Plans**

Unless specifically engaged to do so, we do not periodically review financial plans that we have prepared for clients.

### **13(B) Non-Periodic Account Reviews**

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Events that may trigger further client account reviews in addition to the standard quarterly review process may include, but would not be limited to, a notable increase in the volume of requests by the client to effect transactions in his/her accounts, where such transactions may appear to be inconsistent with the client’s previously stated investment objectives. Other factors may include requests by the client to liquidate certain securities

positions/contracts where such transactions may appear to be inconsistent with the client's previously stated investment objectives. Additional triggering factors could be the performance on an individual account being an outlier to the performance of accounts with similar investment objectives, and a very important trigger would be customer complaints. This last trigger would be a prime example of a trigger for an intermittent review of a client account.

### **13(C) Reports to Clients**

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Account statements will be provided no less frequently than quarterly by the custodian, not by us, to both the Funds and to our non-fund clients. In the case of the Funds, the custodian will also send account statements to the underlying investors in the Fund.

Account statements will identify account positions, balances, and transaction details. Upon a client's request, a quarterly account appraisal (written or electronic) may be created for the client as well as an annual year-end statement.

In the event we also send account statements to you in addition to those provided by the qualified custodian, you are urged to compare any account statements provided by us to those provided by the custodian.

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

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### **14(A) Compensation we Receive**

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Other than the compensation arrangements described above in Item 4(B), Eton does not receive any other compensation in connection with the investment advisory services provided to our clients.

### **14(B) Compensation we Pay**

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Under certain circumstances, firms like ours may compensate other parties for having referred clients or potential investment advisory clients them. These sorts of arrangements are generally referred to as "solicitor" arrangements. We do not participate in any solicitor arrangements.

## **Item 15 Custody**

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We engage in certain activities that result in us being deemed to have custody of certain of our client's funds and/or securities.

- ☒ Automatic fee deduction from your brokerage or other trading accounts
- ☐ Physical possession or control (even temporary) of client funds or securities
- ☒ The ability to gain access to any client funds and/or securities (i.e. bill paying services)
- ☒ One of our related persons has custody of funds and/or securities subject to our investment advisory services
- ☒ We or one of our related persons serves as the general partner, managing member, or other similar type of control person to an investment fund to which we provide investment advisory services.

As stated previously in Item 13(C), client account statements will be provided by the qualified custodian that maintains physical possession of the client's accounts/assets (which statements will, in the case of the Funds, also be provided to the investors in the Funds). In the event that we also provide clients with information related to their accounts, they are urged to compare that information to the information contained on the account statements or other statements received from the qualified custodian.

## **Item 16 Investment Discretion**

In connection with our investment advisory services, we will generally seek and obtain a non-fund client's authorization to carry out part of our services on a purely discretionary basis. We will memorialize the client's authorization of our discretionary authority in our investment advisory agreement.

If a client has authorized us to do so, we will exercise discretion over the following areas.

- 1) The specific securities to be bought or sold on the client's behalf
- 2) The amount of securities to be bought or sold on the client's behalf
- 3) Timing as to when such securities are to be bought or sold
- 4) The particular broker or dealer to be used for arranging client securities transactions
- 5) The engagement of other investment advisers to provide the direct management of your assets

We will have authority to exercise complete discretion with regard to the above named factors without restriction. If done so on a non-discretionary basis, we will make certain recommendations that must be authorized by a client prior to our facilitation of any such transactions. As may be separately agreed to in writing, we will observe any other specific limitations that may be imposed by a client in relation to this discretionary authority.

In regards to the Funds, Eton serves as the investment manager of each Fund and manages each Fund's investment activities on a fully discretionary basis. Eton's investment discretion for the Funds includes the authority to retain third party investment managers to invest certain assets of a Fund on a discretionary or non-discretionary basis.

## **Item 17 Voting Client Securities**

### **17(A) Proxy Voting**

#### **Proxy Voting Policies and Procedures and Client Instruction**

We do not vote proxies on behalf of any securities owned by our non-Fund clients.

In the case of the Funds, Eton is responsible for voting proxies with respect to securities held by the Fund. In accordance with SEC Rule 206(4)-6 under the Investment Advisers Act, we have adopted policies and procedures designed to prevent conflicts of interest from influencing proxy voting decisions made on behalf of the Fund and to ensure that these decisions are in accordance with our fiduciary responsibilities. Generally, votes will be made in the manner we feel is in the best interests of the Fund and its investors.

If a conflict of interest were to arise between Eton and a Fund when voting the Fund's securities, we would nevertheless vote in the client's best interests. In determining what is in the best interest of a Fund, we would be sure to act in conformity with any applicable requirements of the Fund's governing documents and might consult with, or seek approval of the voting decision from, the Fund's investors.

Eton's proxy voting policies and procedures, including information on how proxies have been voted, are available upon written request.

### **17(B) Proxy Voting**

Since you have not authorized us to vote proxies on your behalf, we will not do so. Proxies related to the securities you own will be disseminated as dictated by the issuer, transfer agent, or as otherwise set forth in the account opening paperwork you completed for the custodian holding your account/assets. If you have questions related to a particular proxy notice, please call us at 919-442-1550.

## **Item 18 Financial Information**

### **18(A) Balance Sheet**

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We do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. As a result, we are not required to provide our clients with a copy of our balance sheet from our most recently completed fiscal year.

### **18(B) Adverse Financial condition**

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In the event that we have discretionary authority or custody of any of our clients' assets or if we require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, we are required to disclose any financial condition that is reasonably likely to impair our ability to meet contractual commitments with our clients. No such conditions exist.

### **18(C) Bankruptcy-Related Matters**

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Eton has never been the subject of a bankruptcy petition.