

# Nardis Advisors LLC – Brochure

## Form ADV Part 2A

## October 2015 Update

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**This brochure provides information about the qualifications and business practices of Nardis Advisors LLC. If you have any questions about the contents of this brochure, please contact us at (914) 997 0403 or [nchait@nardisadvisors.com](mailto:nchait@nardisadvisors.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about Nardis Advisors LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## Item 2: Material Changes

None

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## Item 4: Advisors Business

### A. Ownership Information

Nardis Advisors LLC (the "Registrant") was founded in October 2009, and is 100% owned by Norman H. Chait, CFA, its Managing Principal.

### B. Advisory Services Offered

The Registrant is an investment adviser providing investment management and consulting services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities. The Registrant, depending upon the engagement, offers its services on a fee basis which may include hourly and/or fixed fees as well as fees based upon assets under management. Prior to engaging the Registrant to provide any of the foregoing investment advisory services, the client will be required to enter into one or more written agreements with the Registrant setting forth the terms and conditions under which the Registrant shall render its services (collectively the "Agreement").

A copy of the Registrant's privacy policy notice and a written disclosure statement that meets the requirements of Rule 204-3 of the Investment Advisers Act of 1940, as amended ("Advisers Act"), shall be provided to each client prior to or contemporaneously with the execution of the *Agreement*. Any client who has not received a copy of the Registrant's written disclosure statement at least forty eight (48) hours prior to executing the *Agreement* shall have five (5) business days subsequent to executing the agreement to terminate the Registrant's services without penalty.

The Registrant's clients are advised to promptly notify the Registrant if there are ever any changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon the Registrant's management services. Neither the Registrant nor the client may assign the *Agreement* without the consent of the other party. Transactions that do not result in a change of actual control or management of the Registrant shall not be considered an assignment.

The Registrant's investment advisory services are generally limited to the discretionary or nondiscretionary management of investment portfolios in accordance with the investment objective(s) of the client. The Registrant does not provide financial planning services.

The Registrant shall generally recommend that clients utilize the brokerage and clearing services of Pershing LLC through Pershing Advisor Solutions ("Pershing") for investment management accounts. The Registrant may only implement its investment management recommendations

after the client has arranged for and furnished the Registrant with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions shall include, but are not limited to, *Pershing*, any other broker-dealer recommended by the Registrant, broker-dealer directed by the client, trust companies, banks etc. (collectively referred to herein as the "*Financial Institution(s)*").

The Registrant offers investment advice on various types of investments including

- a. Equity securities (exchanged-listed securities, securities traded over the counter & foreign issues)
- b. Corporate debt securities (other than commercial paper)
- c. Certificates of deposit
- d. Municipal securities
- e. Investment company securities, (including mutual fund shares)
- f. United States government securities
- g. Options contracts on securities
- h. Interests in investment partnerships, including hedge funds, hedge fund of funds, private equity partnerships and managed futures programs.

However, the Registrant intends to primarily allocate its clients' investment management assets on a discretionary and/or a non-discretionary basis among *Independent Managers* and on a more limited basis among exchange traded funds and individual debt and/or equity securities in accordance with the investment objectives of each client.

The Registrant also may render non-discretionary investment management services to clients relative to: (1) variable life/annuity products that they may own, and/or (2) their individual employer-sponsored retirement plans. In so doing, the Registrant either directs or recommends the allocation of client assets among the various mutual fund subdivisions that comprise the variable life/annuity product or the retirement plan. The client assets shall be maintained at either the specific insurance company that issued the variable life/annuity product which is owned by the client, or at the custodian designated by the sponsor of the client's retirement plan.

The Registrant may recommend that clients that are "accredited investors" as defined under Rule 501 of the Securities Act of 1933, as amended, invest in private placement securities, which may include debt, equity, and/or pooled investment vehicles when consistent with the client's investment objectives. When the Registrant recommends that the client invest in private placement securities, the Registrant shall receive no additional compensation but shall continue to receive applicable investment advisory fees on the client's assets under management.

The Registrant may also provide advice about exchange traded funds (ETFs) and any type of investment held in a client's portfolio at the beginning of the advisory relationship.

The Registrant may recommend that clients authorize the active discretionary management of a portion of their assets by and/or among certain *Independent Manager(s)*, based upon the stated investment objectives of the client. The Registrant shall continue to render services to the client relative to the discretionary and/or non-discretionary selection or recommendation of *Independent Manager(s)* as well as the monitoring and review of account performance and client investment objectives.

When recommending or selecting an *Independent Manager* for a client, the Registrant shall review information about the *Independent Manager(s)* such as its disclosure statement and/or material supplied by the *Independent Manager(s)* or independent third parties for a description of the *Independent Manager's* investment strategies, past performance and risk results to the extent available.

All individuals that render investment advisory services on behalf of the Registrant must have earned a college degree and/or have substantive investment-related experience. In addition, all such individuals shall have attained all required investment-related licenses and/or designations.

### Consulting Services

The Registrant may provide consulting services (which may or may not include non-investment related matters). The Registrant's *Advisory Affiliates* may also provide expert testimony in trials and arbitrations as part of the Registrant's consulting services.

The Registrant may charge a separate fee for these services which shall be agreed upon prior to rendering the services. The Registrant anticipates that it will devote approximately fifteen (15%) of its time to such services.

In performing its services, the Registrant shall not be required to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. The Registrant may recommend the services of itself and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if the Registrant recommends its own services. The client is under no obligation to act upon any of the recommendations made by the Registrant under a consulting engagement and/or engage the services of any such recommended professional, including the Registrant itself. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of the Registrant's recommendations. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing, evaluating, or revising the Registrant's previous recommendations and/or services.

Prior to engaging the Registrant to provide consulting services, the client will generally be required to enter into a written agreement with the Registrant setting forth the terms and conditions of the engagement and describing the scope of the services to be provided and the portion of the fee that is due from the client prior to the Registrant commencing services. For hourly fees, the Registrant generally requires one-half of the consulting fee (estimated hourly) payable upon entering the written agreement. The balance is generally due upon completion of the agreed upon services. For retainer clients, the Registrant charges its fee monthly in arrears. Either party may terminate the agreement by written notice to the other. In the event the client terminates the Registrant's consulting services, the balance of the Registrant's unearned fees (if any) shall be refunded to the client. If termination occurs within five business days of entering into an agreement for such services the client shall be entitled to a full refund.

Those clients to whom the Registrant provides consulting services will receive reports from the Registrant summarizing its analysis and conclusions as requested by the client or otherwise agreed to in writing by the Registrant.

### C. Tailored Investment Advisory Services

The Registrant focuses on the creation of tailored and customized investment portfolio solutions for each client. Each client portfolio is different and is based on

- A review of the personal needs, goals and specific circumstances of each client.
- An assessment of each client's risk tolerance

The Registrant's client engagement contract includes a schedule which lists each client's

- level of wealth and annual income
- years of investment experience in various asset classes
- investment time horizon
- level of annual income needs

- investment goals (in terms of the balance between capital preservation and capital appreciation)
- level of portfolio and market volatility the client is willing to withstand

#### D. Wrap Programs

The Registrant may also recommend that certain clients authorize the active discretionary management of a portion of their assets by and/or among certain independent investment manager(s) either directly or through a wrap fee program ("*Independent Manager(s)*"), based upon the stated investment objectives of the client. The terms and conditions under which the client shall engage the *Independent Manager(s)* shall be set forth in separate written agreements between (1) the client and the Registrant and (2) the client and the designated *Independent Manager(s)* and/or wrap fee program sponsor. The Registrant shall continue to render advisory services to the client relative to the ongoing monitoring and review of account performance, for which the Registrant shall receive an annual advisory fee which is based upon a percentage of the market value of the assets being managed by the designated *Independent Manager(s)*.

Factors that the Registrant shall consider in recommending *Independent Manager(s)* include the client's stated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research. The investment management fees charged by the designated *Independent Manager(s)*, together with the fees charged by the wrap fee program sponsor and corresponding designated broker-dealer/custodian of the client's assets, may be exclusive of, and in addition to, the Registrant's investment advisory fee set forth above. As discussed above, the client may incur additional fees than those charged by the Registrant, the designated *Independent Manager(s)*, wrap fee program sponsor (if applicable), and corresponding broker-dealer and custodian. The Registrant charges a selection fee which is based upon a percentage of assets given to the *Independent Manager(s)*. The Registrant's fees are separate from the fees charged by the *Independent Manager(s)*. In addition to the Registrant's written disclosure statement, the client shall also receive the written disclosure statement of the designated *Independent Manager(s)* and wrap fee program sponsor (if applicable). Certain *Independent Manager(s)* may impose more restrictive account requirements and varying billing practices than the Registrant. In such instances, the Registrant may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Manager(s)* or wrap fee program sponsor.

#### E. Assets Managed:

As of 8 October 2015, Nardis advised \$73.9 million in discretionary assets, and \$6.5 million in non-discretionary assets.

## Item 5: Fees and Compensation

#### A. Compensation for Advisory Services

In the event the client determines to engage the Registrant to provide investment management services, the Registrant shall do so on a fee basis. If engaged, the Registrant shall charge an annual fee based upon a percentage of the market value of the assets being managed by the Registrant. The Registrant's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. However, the Registrant shall not receive any portion of these commissions, fees, and costs. The Registrant's annual fee shall be prorated and charged quarterly, in arrears, based upon the market value of the assets on the last day of the previous quarter. The annual fee shall vary

depending upon the market value of the assets under management and the type of investment management services to be rendered, as follows:

**PORTFOLIO VALUE ANNUAL FEE**

up to \$2,000,000 .....	1.00%
\$2,000,000 to \$5,000,000 .....	0.90%
\$5,000,000 to \$10,000,000 .....	0.75%
above \$10,000,000 .....	negotiable

The Registrant generally imposes a minimum portfolio value and/or a minimum annual fee for its investment management services. This is currently \$800,000 in assets, and/or \$8,000 per year in advisory fees. The Registrant, in its sole discretion, may negotiate to waive its stated account minimum or minimum fee or charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, *pro bono* activities, etc.).

The Registrant also advises to 401 (k) and profit share plans, and 529 college savings plans. A flat fee is charged as follows:

- |  |                 |
|--|-----------------|
| 1. Multi-employee 401 (k) and profit share plan: | 0.50% per annum |
| 2. 529 Plans:                                    | 0.40% per annum |

**B. How Fees are Charged/Deducted**

The Registrant's annual fee shall be prorated and charged quarterly, in arrears, based upon the market value of the assets on the last day of the previous quarter. The Registrant's *Agreement* and/or the separate agreement with the *Financial Institution(s)* may authorize the Registrant through the *Financial Institution(s)* to debit the client's account for the amount of the Registrant's fee and to directly remit that management fee to the Registrant in accordance with applicable custody rules. The *Financial Institution(s)* recommended by the Registrant have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to the Registrant. To the extent that a client authorizes the use of margin, and margin is thereafter employed by the Registrant in the management of the client's investment portfolio, the market value of the client's account and corresponding fee payable by the client to the Registrant will not be increased.

The client may make additions to and withdrawals from the account at any time, subject to the Registrant's right to terminate an account. If assets are deposited into an account or withdrawn from an account after the inception of a quarter that exceed \$100,000, the fee payable with respect to such assets will be prorated based on the number of days remaining in the quarter. Clients may withdraw account assets on notice to the Registrant, subject to the usual and customary securities settlement procedures. However, the Registrant designs its portfolios as long-term investments and assets withdrawals may impair the achievement of a client's investment objectives.

For the initial quarter of investment management services, the first quarter's fees shall be calculated on a *pro rata* basis. The *Agreement* between the Registrant and the client will continue in effect until terminated by either party pursuant to the terms of the *Agreement*. The Registrant's annual fee shall be prorated through the date of termination and any remaining balance shall be charged or refunded to the client, as appropriate, in a timely manner.

Additions may be in cash or securities provided that the Registrant reserves the right to liquidate any transferred securities, or decline to accept particular securities into a client's account. The



Registrant may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

The Registrant may co-advise on accounts with other investment advisors. In this event, the total fees will be disclosed to the client as will the division of fees between the registrant and the co-advisor. In any event, the portion of the fees paid to the Registrant will not exceed the Registrant's general fee schedule as listed above. Fees may be collected by the co-advisor and then paid to the Registrant

### C. Other Fees

#### a. Consulting Fees

The Registrant's consulting fees are negotiable. The Registrant will generally charge a fixed fee and/or an hourly fee for its consulting services. For hourly fees, the Registrant generally charges between \$585 and \$850 per hour, depending upon the level and scope of the services and the professional rendering the consulting services. The Registrant also offers a retainer arrangement. For retainer clients, the Registrant generally charges a fixed fee between \$10,000 to \$20,000 monthly. If the client engages the Registrant for additional investment advisory services, the Registrant may offset all or a portion of its fees for those services based upon the amount paid for the consulting services.

#### b. Optional Reporting Services and Related Fees

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. For those clients to whom the Registrant provides investment advisory services who wish to receive additional reporting, the Registrant will make comprehensive reports available for an additional annual fee of \$250-\$1,000 per account, depending on the complexity of the report and the level of reporting.

#### c. Fees and Charges Assessed by Financial Institutions

Clients may incur certain charges imposed by the *Financial Institution(s)* and other third parties such as fees charged by *Independent Managers*, custodial fees, charges imposed directly by a mutual fund or exchange traded fund in the account, which shall be disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Additionally, for assets outside of any wrap fee programs, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to the Registrant's fee.

### D. Prepaid Fees

N/A

## **Item 6: Performance-Based Fee**

The Registrant does not charge performance fee to its clients. However, the Registrant may invest on behalf of certain qualified clients in hedge funds, private equity funds and other



outsourced investment vehicles, which may charge a performance fee. The Registrant does not share in these fees.

## **Item 7: Type of Clients**

The Registrant currently advises to individuals, pension and profit sharing plans, as well as trusts, corporations and other business entities. It may consider advising to estates and charitable organizations as well.

### Account Minimum:

The Registrant provides investment supervisory services, management of investment advisory accounts, and consulting. As a condition for starting and maintaining a relationship, the Registrant shall generally impose a minimum portfolio size of \$800,000. In the alternative, the Registrant shall impose a minimum annual fee of \$8,000 which may have the effect of making the Registrant's services impractical for clients, particularly those with portfolios less than \$800,000 under the Registrant's management. The Registrant, in its sole discretion, may accept clients with smaller portfolios based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and *pro bono* activities. The Registrant shall only accept clients with less than the minimum portfolio size if, in the sole opinion of the Registrant, the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. The Registrant may aggregate the portfolios of family members to meet the minimum portfolio size.

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

The Registrant offers advice on equity securities (exchange-listed securities, securities traded over-the-counter and foreign issues), corporate debt securities, certificates of deposit, municipal securities, mutual fund shares, United States government securities, limited partnerships, and other similar investments.

However, the Registrant intends to primarily allocate its client's investment management assets, on a discretionary and/or a non-discretionary basis among *Independent Managers*, and on a more limited basis among exchange traded funds and individual debt and equity securities in accordance with the investment objectives of the client. Factors that the Registrant shall consider in recommending *Independent Manager(s)* include the client's stated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research.

The Registrant's primary method of analysis is fundamental in nature. In sourcing investment ideas, the Registrant may rely on

- financial newspapers and magazines
- research materials prepared by others (including informational materials from mutual fund companies, ETF providers, and the managers of private partnerships)
- Annual reports, prospectuses and filings with the Securities and Exchange Commission
- Company press releases
- Company visits and manager interviews

The investment strategies used to implement any investment advice given to the clients include,

- Long-term purchases (securities held at least a year)
- Short-term purchases (securities sold within a year)
- Margin Transactions

## Risk Analysis

For each prospective investment, the Registrant determines a general risk level, and classifies funds either as having fixed income-level risk, or equity-level risk, regardless of asset class. Fixed income-level risk applies to more conservative investment strategies which are expected to exhibit low to moderate volatility. Equity-level risk investments will exhibit greater short-term or medium-term volatility, in exchange for the potential for, but not the guarantee of greater price appreciation over time. Each specific portfolio is customized and calibrated according to each client's risk and loss tolerance. For example, a "60:40" portfolio would contain 60% equity-level risk, and 40% fixed income-level risk. Once the client's risk tolerance level has been determined, the Registrant in its capacity as portfolio manager seeks to mitigate the portfolio risk further, by diversifying into a number of different asset classes and strategies.

There is no guarantee that performance targets will be met, nor that portfolio losses will be avoided. Investing in securities involves risk of loss that clients should be prepared to bear.

## General Risks

The description contained herein is an overview of the risks entailed in the Adviser's investment strategy and is not intended to be complete. All investing involves a risk of loss and the investment strategy offered by the Adviser could lose money over short or long periods. Performance could be hurt by a number of different market risks including but not limited to:

**Investing in securities is inherently risky.** An investment in individual securities or in a portfolio of securities could lose money. The investments selected by the Adviser should be deemed speculative investments and are not intended as a complete investment program. These types of investments are designed for sophisticated investors who fully understand and are capable of bearing the risk of loss of their entire investment. The Adviser cannot give any guarantee that it will achieve its investment objectives or that any client will receive a return of its investment.

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

**Equities.** Equities in which the Adviser may invest may involve substantial risks and may be subject to wide and sudden fluctuations in market value, with a resulting fluctuation in the amount of profits and losses.

**Investing in Foreign Securities Entails Unique Risks.** The Adviser may invest for clients in non-U.S. securities and other assets, which will give rise to risks relating to political, social and economic developments abroad, as well as risks resulting from the differences between the regulations to which U.S. and non- U.S. issuers and markets are subject. These risks include political or social instability, the seizure by foreign governments of company assets, acts of war or terrorism, withholding taxes on dividends and interest, high or confiscatory tax levels and limitations on the use or transfer of assets. In addition, enforcing legal rights in some foreign countries is difficult,

costly and slow, and there are sometimes special problems enforcing claims against foreign governments.

**Margin Strategies.** Clients may choose to employ margin strategies in eligible accounts. Employing margin strategies is aggressive and entails significant risks. Because the Adviser's fees are based on the assets in the client's account, and because margin loans increase the assets in an account, margin strategies will increase the investment fees payable to the Adviser. Clients also pay interest on their margin loans. Investing with margin strategies will magnify losses, and could result in a client losing more than their original investment.

**Independent Managers.** The use of third party managers in investment programs involves additional risks. The success of the third party manager depends on the capabilities of its investment management personnel and infrastructure, all of which may be adversely impacted by the departure of key employees and other events. The future results of the third party manager may differ significantly from the third party manager's past performance. While Adviser intends to employ reasonable diligence in evaluating and monitoring third party managers, no amount of diligence can eliminate the possibility that a third party manager may provide misleading, incomplete or false information or representations, or engage in improper or fraudulent conduct, including unauthorized changes in investment strategy, insider trading, misappropriation of assets and unsupportable valuations of portfolio securities.

## **Item 9: Disciplinary Information**

N/A

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

N/A

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

The Registrant and persons associated with the Registrant ("Associated Persons") are permitted to buy or sell securities that it also recommends to clients consistent with the Registrant's policies and procedures. The Registrant has adopted a code of ethics ("*Code of Ethics*") made up of its personal securities transaction and insider trading policies and procedures. When the Registrant is purchasing or considering for purchase any security on behalf of a client, no *Covered Person* (as defined below) may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when the Registrant is selling or considering the sale of any security on behalf of a client, no *Covered Person* may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security.

Unless specifically defined in the Registrant's procedures (summarized above), neither the Registrant nor any of the Registrant's Associated Persons may effect for himself or herself, for an Associated Person's immediate family (i.e., spouse, minor children, and adults living in the same household as the Associated Person), or for trusts for which the Associated Person serves as a

trustee or in which the Associated Person has a beneficial interest (collectively "Covered Persons"), any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of the Registrant's clients.

The foregoing policies and procedures are not applicable to (a) transactions effected in any account over which neither the Registrant nor any of its *Advisory Affiliates* (as defined in this Form ADV) has any direct or indirect influence or control; and (b) transactions in securities that are: direct obligations of the government of the United States; bankers' acceptances, bank certificates of deposit, commercial paper, and high quality short-term debt instruments, including repurchase agreements; or shares issued by registered open-end investment companies. This policy has been established recognizing that some securities being considered for purchase and sale on behalf of the Registrant's clients trade in sufficiently broad markets to permit transactions by clients to be completed without any appreciable impact on the markets of such securities. Under certain limited circumstances, exceptions may be made to the policies stated above. The Registrant will maintain records of these trades, including the reasons for any exceptions. In accordance with Section 204A of the Advisers Act, the Registrant also maintains and enforces written policies reasonably designed to prevent the unlawful use of material non-public information by the Registrant or any of its *Advisory Affiliates*. Current and prospective clients may contact the Registrant to request a copy of its *Code of Ethics*.

## Item 12: Brokerage Practices

Except as provided for in any applicable wrap fee program, the brokerage commissions and/or transaction fees charged by *Pershing* or any other designated broker-dealer are exclusive of and in addition to the Registrant's fee. Factors which the Registrant considers in recommending *Pershing* or any other broker-dealer, to clients include their respective financial strength, reputation, execution, pricing, research, and service.

*Pershing* enables the Registrant to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by *Pershing* may be higher or lower than those charged by other broker-dealers.

The commissions paid by the Registrant's clients shall comply with the Registrant's duty to obtain "best execution." However, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Registrant determines, in good faith, that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. Consistent with the foregoing, while the Registrant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client transactions.

If the client requests the Registrant to arrange for the execution of securities brokerage transactions for the client's account, the Registrant shall direct such transactions through broker-dealers that the Registrant reasonably believes will provide best execution. The Registrant shall periodically and systematically review its policies and procedures regarding recommending broker-dealers to its client in light of its duty to obtain best execution.

The client may direct the Registrant in writing to use a particular broker-dealer to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that broker-dealer, and the Registrant will not seek better execution services or prices from other broker-dealers or be able to "batch" client transactions for execution through

other broker-dealers with orders for other accounts managed by the Registrant. As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, the Registrant may decline a client's request to direct brokerage if, in the Registrant's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Transactions for each client generally will be effected independently, unless the Registrant decides to purchase or sell the same securities for several clients at approximately the same time. The Registrant may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among the Registrant's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among the Registrant's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that the Registrant determines to aggregate client orders for the purchase or sale of securities, including securities in which the Registrant's *Advisory Affiliate(s)* may invest, the Registrant shall generally do so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. The Registrant shall not receive any additional compensation or remuneration as a result of the aggregation. In the event that the Registrant determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro-rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, the Registrant may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist the Registrant in its investment decision-making process. Such research generally will be used to service all of the Registrant's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest.

The Registrant may receive from *Pershing*, without cost to the Registrant, computer software and related systems support, which allow the Registrant to better monitor client accounts maintained at *Pershing*. The Registrant may receive the software and related support without cost because the Registrant renders investment management services to clients that maintain assets at *Pershing*. The software and related systems support may benefit the Registrant, but not its clients directly. In fulfilling its duties to its clients, the Registrant endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the Registrant's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence the

Registrant's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

Additionally, the Registrant may receive the following benefits from *Pershing* through its Pershing Advisor Solutions division: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its Pershing Advisor Solutions participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

### **Item 13: Review of Accounts**

For those clients to whom the Registrant provides investment management services, the Registrant monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. For those clients to whom the Registrant provides consulting services, reviews are conducted on an "as needed" basis. Such reviews are conducted by the Principal of the Registrant, Norman Chait, and/or by Gail Wiesenfeld. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with the Registrant and to keep the Registrant informed of any changes thereto. The Registrant shall contact ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

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

If a client is introduced to the Registrant by either an unaffiliated or an affiliated solicitor, the Registrant may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act and any corresponding state securities law requirements. Any such referral fee shall be paid solely from the Registrant's investment management fee, and shall not result in any additional charge to the client.

If the client is introduced to the Registrant by an unaffiliated solicitor, the solicitor shall provide the client with a copy of the Registrant's written disclosure statement which meets the requirements of Rule 204-3 of the Advisers Act and a copy of the solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement including compensation.

Any affiliated solicitor of the Registrant shall disclose the nature of his/her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of the Registrant's written disclosure statement at the time of the solicitation.

### **Item 15: Custody**

The Registrant shall generally recommend that clients utilize the brokerage and clearing services of Pershing, LLC through Pershing Advisor Solutions ("*Pershing*") for investment management accounts. The majority of Registrant's client accounts are held in custody at Pershing LLC. There are some exceptions to this rule, such as certain 401(k) plans, plus limited partnerships for taxable US-domiciled accounts, for which Pershing which does not offer custody services.

### **Item 16: Investment Discretion**

All current client accounts held at Pershing LLC are set up as discretionary accounts. However, the Registrant may consider in future managing manage non-discretionary accounts as well.



Prior to investing client capital, the registrant provides each client with a detailed Investment Policy Statement, which sets out the investment and risk frameworks for each customized portfolio. While the Registrant does maintain complete discretion in these accounts, it is practice not to digress to a large degree from the Investment Policy without informing the client, either prior to making the portfolio changes, or, in the event that this is not possible, soon thereafter. The registrant also advises to a number of 401 (k) plans, where its role is to select mutual funds or similar investments for each plan's menu of investment choices.

### **Item 17: Voting Client Securities**

The Registrant does not vote proxies on behalf of clients.

### **Item 18: Financial Information**

N/A – The Registrant does not solicit pre-payment of client fees.