

# **Investment Partners Asset Management, Inc.**

**SEC File Number: 801 – 61906**

## **Brochure Dated 03/18/2016**

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**This brochure provides information about the qualifications and business practices of Investment Partners Asset Management, Inc. (the “Registrant”). If you have any questions about the contents of this brochure, please contact us at (732) 205-0391 or [gabella@investmentpartners.com](mailto:gabella@investmentpartners.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 Investment Partners Asset Management, Inc. also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **Item 2           Material Changes**

There have been no material changes made to the Registrant's Brochure since its last Annual Amendment filing on February 18, 2015.

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

- A. Investment Partners Asset Management, Inc. (the “Registrant”) is a corporation formed on May 23, 1995 in the State of Delaware. The Registrant became registered as an investment adviser firm in April 2003. The Registrant is owned by Investment Partners Group, Inc. Frank J. Abella, Jr. is the Registrant’s President.
- B. As discussed below, the Registrant offers to its clients (individuals, business entities, trusts, estates, charitable organizations, pension and profit sharing plans, investment companies, and both an affiliated private investment fund and mutual fund, etc.) investment advisory services. The Registrant **does not** hold itself out as providing financial planning, estate planning, or accounting services.

#### **INVESTMENT ADVISORY SERVICES**

The client can determine to engage the Registrant to provide discretionary or non-discretionary investment advisory services on a *fee* basis. The Registrant’s annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under the Registrant’s management (between negotiable and 2.75%). The Registrant offers two investment advisory account options that reflect the distribution of assets and asset classes within a portfolio.

**Please Note:** The Registrant does currently permit clients (or their authorized agents) to make unsolicited purchases and sales in advised accounts - i.e. trades that are not recommended by the Registrant or its investment adviser representatives, but rather are recommended by the client itself (or its authorized agent) on its own behalf for its own account and risk. It also permits clients to bring assets into their accounts from other locations and, if instructed to do so either verbally or in writing by the client (or its authorized agent), the Registrant may continue to hold such securities in a client’s account, even if under other circumstances the Registrant might recommend that such assets, in whole or in part, be liquidated. In such instances, since the Registrant charges an investment advisory fee generally on the entire account balance at the end of a quarter, the fee may potentially include: a) assets which were purchased by the client (or its authorized agent), b) assets sold by the client (or its authorized agent), (if, for example the asset is a short position), or c) assets which were brought into the account by the client which the client (or its authorized agent) wishes to continue to hold.

The Registrant may (or may not), from time to time, make recommendations to the client (or its authorized agent) regarding assets purchased or sold on an unsolicited basis or assets brought into the account from another location - particularly if such assets represent, what the Registrant believes to be, a high concentration in the client’s overall account - although the Registrant is under no obligation to provide such advice and the client (or its authorized agent) is under no obligation to accept such advice. The Registrant, its affiliates, and its adviser representatives, are under no circumstances liable for the performance of: a) assets purchased by the client (or its authorized agent) for its own account and risk on an unsolicited basis, b) assets sold by the client (or its authorized agent) for its own account and risk on an unsolicited basis, or c) assets brought into the client’s account from another location (if the Registrant, its affiliates, and adviser representatives are directed either verbally or in writing to continue to hold such securities.) Similarly, the Registrant, its affiliates and its adviser representatives are not

liable: a) if the client (or its authorized agent) sells on an unsolicited basis an asset which was originally recommended by or purchased by the Registrant if that asset appreciates in value subsequent to the unsolicited order to sell it (or conversely, in the event of a shorted security), or b) if the client (or its authorized agent) purchases on an unsolicited basis an asset which is not currently recommended by the Registrant (but may have been recommended to clients in the past and may perhaps be recommended to clients in the future) and that security subsequently decreases in value (or conversely in the event of a shorted security).

## MISCELLANEOUS

**Limited Consulting/Implementation Services.** Although the Registrant does not hold itself out as providing financial planning, estate planning or accounting services, to the extent specifically requested by the client, the Registrant *may* provide limited consultation services to its investment management clients on investment and non-investment related matters, such as estate planning, tax planning, insurance, etc. and may use software to assist in analysis of such matters. Except as indicated subsequently in this brochure, the Registrant generally shall not receive any separate or additional fee for any such consultation services. Neither the Registrant, nor any of its representatives, serves as an attorney or accountant, and no portion of the Registrant's services should be construed as same. To the extent requested by a client, the Registrant may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** It remains the client's responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

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

**Please Note: Cash Positions.** At any specific point in time, depending upon perceived or anticipated market conditions/events (there being **no guarantee** that such anticipated market conditions/events will occur), the Registrant **may** maintain cash positions for defensive purposes. All cash positions (money markets, etc) shall be included as part of assets under management for purposes of calculating the Registrant's advisory fee. **The Registrant's Chief Compliance Officer, Gregg T. Abella, remains available to address any questions that a client or prospective client may have regarding the above fee billing practice.**

**Remington Value & Special Situation Fund, LLC.** Registrant is the managing member of a private investment fund, the Remington Value & Special Situation Fund LLC (“*Remington*”). The purpose of *Remington* is to seek long-term growth of capital based on value investing and special situation principles – with a particular (but not exclusive) focus on issuers with a market capitalization of \$500 million and less and securities which are special situations. The Registrant may recommend, on a non-discretionary basis, that qualified clients allocate a portion of their investment assets to *Remington*. To the extent that Registrant’s individual advisory clients qualify, and determine that an investment is appropriate given their investment objective(s) and financial situation, they may participate as members of *Remington*. The terms and conditions for participation in *Remington* are set forth in *Remington*’s offering documents (discussing fees-including fees payable to the managing member and the investment adviser [including performance based compensation], conflicts of interest, risk factors, and liquidity constraints), which each prospective investor client shall receive, and shall be required to complete and submit the corresponding Subscription Agreement to the managing member in order to demonstrate qualification for investment in *Remington*.

**Please Note:** Private investment funds generally involve various risk factors including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in the funds offering documents, which will be provided to each client for review and consideration. Unlike other liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment.

**Please Also Note: Valuation.** In the event that the Registrant references private investment funds owned by the client on any supplemental account reports prepared by the Registrant, the value(s) for all such private investment funds shall reflect either the initial purchase and/or the most recent valuation provided by the fund sponsor. If the valuation reflects the initial purchase price (and/or a value as of a previous date), the current value(s) (to the extent ascertainable) could be **significantly more or less** than the original purchase price.

**Investment Partners Absolute Return Fund.** The Registrant provides investment management services through its affiliated mutual fund, Investment Partners Absolute Return Fund (formerly Investment Partners Opportunities Fund) (the “*Fund*”), an investment company registered under the Investment Company Act of 1940. The *Fund*’s objective is to provide positive absolute returns by investing in a combination of (i) equity securities, (ii) fixed-income securities, (iii) other investment companies, (iv) cash equivalents, and (v) writing covered call options using the adviser’s proprietary tactical asset allocation and security selection methodology. A complete description of the *Fund*, its strategy, objectives, and costs is set forth in the *Fund* prospectus, a copy of which is provided to all clients that engage the Registrant’s services through the *Fund*.

**Other Services.** From time to time, the Principals of the Registrant may perform consulting services, valuation studies, expert witness testimony, credit or equity committee participation, or other services on their own behalf, through Registrant or

through an affiliate of Registrant. Furthermore, clients of such services may be current, past, or future clients of Registrant, outside entities (including but not limited to companies, funds, trusts, limited partnerships, etc.) that are, were, or may be investments in client portfolios, or entities that manage investments (companies, funds, trusts, limited partnerships, etc.) that are, were, or may be investments in client portfolios. The Registrant's Principals and/or employees may from time to time sit on the boards of directors or boards of trustees of outside entities, including clients of the Registrant or entities in which clients of the Registrant may have an investment, and receive compensation for doing so. The Chief Compliance Officer, in conjunction with the portfolio manager or supervisor, determine if any such activity could present a conflict between an advisory client's interests and the interests of the Registrant, its personnel, or affiliates requiring disclosure to the client and potential re-assignment of the account to another manager. **Please Note:** Because the Registrant (either directly or indirectly via its officers and/or affiliated entities) may derive an economic benefit from the foregoing services and activities, the Registrant has a potential **conflict of interest** when considering investing in any such entities for its clients. In light of the potential conflict of interest, a client may direct the Registrant, in writing, not to invest in any such entities for his/her/its accounts. **The Registrant's Chief Compliance Officer, Gregg T. Abella, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.**

**Trade Error Policy.** Registrant shall reimburse accounts for losses resulting from the Registrant's trade errors, but shall not credit accounts for such errors resulting in market gains. The gains and losses are reconciled within the Registrant's custodian's firm account and Registrant, its affiliates, or registrant's custodian, retain the net gains and losses.

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

**Disclosure Statement.** A copy of the Registrant's written Brochure as set forth on Part 2A of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the *Investment Advisory Agreement*.

- B. The Registrant shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, the Registrant shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at anytime, impose reasonable restrictions, in writing, on the Registrant's services.
- C. The Registrant does not participate in a wrap fee program.
- D. As of March 17, 2016, the Registrant had \$91,580,556 in assets under management with \$89,760,611 in assets on a discretionary basis and \$1,819,945 on a non-discretionary basis.

## Item 5 Fees and Compensation

- A. The client can determine to engage the Registrant to provide discretionary or non-discretionary investment advisory services on a *fee* basis.

### INVESTMENT ADVISORY SERVICES

If a client determines to engage the Registrant to provide discretionary or non-discretionary investment advisory services on a *fee* basis, the Registrant's annual investment advisory fee shall be based upon a percentage (%) of the market value and type of assets placed under the Registrant's management (between negotiable and 2.75%). The Registrant offers two investment advisory account options that reflect the distribution of assets and asset classes within a portfolio, as follows:

#### Option 1

Large Cap Equity, Small Cap Equity, Balanced or International Equity Account:

<u>Market Value of Portfolio</u>	<u>% of Assets</u>
First \$100,000	2.75%
Next \$400,000	2.00%
Next \$500,000	1.50%
Over \$1,000,000	1.25%

Domestic or International Fixed Income Account:

<u>Market Value of Portfolio</u>	<u>% of Assets</u>
Any amount	1.00%

#### Option 2

All Account Types:

<u>Market Value of Portfolio</u>	<u>% of Assets</u>
First \$500,000	1.50%
Next \$500,000	1.25%
Next \$1,000,000	1.00%
Next \$3,000,000	0.75%
Over \$5,000,000	0.50%

The fees listed above for Option 1 exclude all fees, if any, relating to brokerage execution services *not* performed by an affiliate of Registrant (or a broker dealer affiliated with Registrant's Principals), certain odd-lot differentials, transfer taxes, exchange fees, SEC fees, electronic fund and wire transfer fees, foreign clearing, settlement and custodial fees, and other charges imposed or required by law with respect to the execution of transactions for the client's portfolio, and an annual record-keeping and reporting fee charged to IRA and other retirement advisory portfolios. In addition, transactions

executed on behalf of the client may include mark-ups or mark-downs payable to dealers, including dealers affiliated with Registrant (or affiliated with Registrant's Principals).

Fees under Option 2 exclude all the foregoing amounts *as well as* fees relating to brokerage execution services performed by an affiliate of Registrant (or a broker dealer affiliated with Registrant's Principals).

Furthermore, the reduction for brokerage execution services relating to Option 1 above pertains only to such costs for executing trades. The advisory fee is not reduced by any other brokerage fees such as 12b-1 shareholder servicing fees from mutual funds which may be held in client accounts.

- B. Clients may elect to have the Registrant's advisory fees deducted from their custodial account. Both Registrant's *Investment Advisory Agreement* and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of the Registrant's investment advisory fee and to directly remit that management fee to the Registrant in compliance with regulatory procedures. In the limited event that the Registrant bills the client directly, payment is due upon receipt of the Registrant's invoice. The Registrant shall deduct fees and/or bill clients quarterly in arrears, based upon the market value of the assets on the last business day of the previous quarter.
- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, the Registrant shall generally recommend that T.R. Winston & Company, LLC ("*Winston*") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Winston* charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). *Winston's* transaction fees usually approximate one-half of one percent of the aggregate gross amount of a trade, but are generally not less than \$50.00 per trade. The use of stock options may not pertain to all client accounts, but in cases where it does, the aforementioned commission schedule does not apply. Due to the higher cost of conducting such trades, generally stock-option trades are conducted at \$15.00 per transaction and \$1.00 per contract (subject to a \$15.00 minimum commission). There may be circumstances, albeit infrequently, where different commission rates than those discussed herein are negotiated and/or may apply. In addition to Registrant's investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses). Clients that have their accounts custodied with *Winston* and utilize investment Option 1, as disclosed above in Items 4.B and 5.A, shall not be charged additional fees for brokerage execution services. However, clients utilizing investment Option 2, or whose accounts are custodied at a broker-dealer/custodian other than *Winston* shall be charged additional fees for brokerage execution services. In addition to commissions, there is typically a \$3.00 service charge on all transactions, which is an order-handling fee charged by *Winston's* clearing agent, Pershing LLC. Clients of the Registrant who have accounts with *Winston* are charged \$4.00 per month (billed annually) by Pershing LLC if they wish to receive enhanced brokerage statements under its Portfolio Evaluation Service, which includes cost-basis reporting, realized gain/loss information, and other features. There may be other similar fees and charges from Pershing LLC for such things as IRA custody, wire transfers, and other services.



- D. Registrant's annual investment advisory fee shall be prorated and paid quarterly, in arrears, based upon the market value of the assets on the last business day of the previous quarter. The Registrant does not generally require an annual minimum fee or asset level for investment advisory services. The Registrant, in its sole discretion, may charge a lesser investment 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, negotiations with client, etc.).

The *Investment Advisory Agreement* between the Registrant and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, the Registrant shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter. However, if a client terminates the advisory relationship within five (5) days of first engaging the Registrant, the full fee is refunded or not billed (as the case may be) at the end of the following quarter - thereafter the fee is pro-rated. For a number of reasons, including but not limited to the activity of allocating or re-allocating a new client's account, the Registrant, at its discretion, may choose not to bill its advisory fees during the first quarter upon managing a new client relationship. The client in such a circumstance would however be responsible for any commission charges during that quarter.

- E. **Securities Commission Transactions.** In the event that the client desires, the client can engage certain of the Registrant's representatives, in their individual capacities as registered representative of *Winston*, an SEC registered and FINRA member broker-dealer, to implement investment recommendations on a commission basis. In the event the client chooses to purchase investment products through *Winston*, *Winston* will charge brokerage commissions to effect securities transactions, a portion of which commissions *Winston* shall pay to Registrant's representatives, as applicable. The brokerage commissions charged by *Winston* may be higher or lower than those charged by other broker-dealers. In addition, *Winston*, as well as Registrant's representatives, relative to commission mutual fund purchases, may also receive additional ongoing 12b-1 trailing commission compensation directly from the mutual fund company during the period that the client maintains the mutual fund investment.

1. **Conflict of Interest:** The recommendation that a client purchase a commission product from *Winston* presents a ***conflict of interest***, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from Registrant's representatives. **The Registrant's Chief Compliance Officer, Gregg T. Abella, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**
2. **Please note:** Clients may purchase investment products recommended by Registrant through other, non-affiliated broker dealers or agents.
3. The Registrant does not receive more than 50% of its revenue from advisory clients as a result of commissions or other compensation for the sale of investment products the Registrant recommends to its clients. However, employees of the Registrant may

receive more than 50% of their compensation from commissions or other compensation for the sale of investment products the Registrant recommends to its clients as a result of their registered representative status at *Winston*.

4. The Registrant may charge advisory fees in addition to commissions received. As noted above in Item 5.A, clients that utilize Registrant's Option 1 investment advisory services and have their assets custodied at *Winston* shall not be charged for any transactions processed at *Winston*. All other clients shall be charged an advisory fee as well as transactional fees. Furthermore, the reduction for brokerage execution services relating to Option 1 above pertains only to such costs for executing trades. The advisory fee is not reduced by any other brokerage fees such as 12b-1 shareholder servicing fees from mutual funds which may be held in client accounts.

If the client uses fee Option 1 described above, and the cost of trades in a quarter exceeds the Registrant's quarterly billed advisory fee, the Registrant will generally issue a credit to the client that will appear on the client's quarterly invoice. Instead of maintaining a credit to be applied to a future quarter, however, the Registrant, at its discretion, may simply return the amount due to the client by journaling funds into the clients' account(s) or by issuing a check to the client. Similarly, in the event that the client wishes to have funds instead of maintaining a credit to be applied to a future quarter, Registrant will either journal funds into the client's account, or issue a check to the client in lieu of such credit within seven (7) business days of receiving the request. This policy may or may not apply in certain *Investment Advisory Agreement[s]* negotiated by and between the Registrant and client. **Please Note:** The commission and/or transaction fees charged by *Winston* may be higher or lower than those charged by other broker-dealers.

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

The Registrant currently charges a performance-based fee for its management of its affiliated private investment fund, *Remington*. A description of how the performance based fee is calculated is included in *Remington's* private placement memorandum.

Because Registrant and its representatives manage client accounts that charge both an asset-based fee and/or a performance-based fee, this arrangement creates a **conflict of interest**, as Registrant and its representatives have an incentive to favor investments where Registrant receives both an asset-based fee and a performance fee. **The Registrant's Chief Compliance Officer, Gregg T. Abella, remains available to address any questions regarding this conflict of interest.**

## **Item 7 Types of Clients**

The Registrant's clients shall generally include individuals, business entities, trusts, estates and charitable organizations, pension and profit sharing plans, investment companies, and both an affiliated private investment fund and open-end mutual fund. The Registrant does not generally require an annual minimum fee or asset level for investment advisory services. The Registrant, in its sole discretion, may charge a lesser investment 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, negotiations with client, etc.).

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

A. The Registrant may utilize the following methods of security analysis:

- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
- Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)

The Registrant may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)
- Trading (securities sold within thirty (30) days)
- Short Sales (contracted sale of borrowed securities with an obligation to make the lender whole)
- Margin Transactions (use of borrowed assets to purchase financial instruments)
- Options (contract for the purchase or sale of a security at a predetermined price during a specific period of time)

**Please Note: Investment Risk.** Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by the Registrant) will be profitable or equal any specific performance level(s). The Registrant's methods of analysis and investment strategies do not present any significant or unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis the Registrant must have access to current/new market information. The Registrant has no control over the dissemination rate of market information; therefore, unbeknownst to the Registrant, certain analyses may be compiled with outdated market information, severely limiting the value of the Registrant's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities. Additionally, Registrant or its affiliates may utilize software or systems to assist in generating possible allocation scenarios among various asset classes or securities. Such analyses are solely for illustrative purposes, may be based on a number of assumptions which are not applicable at a given point in time, and may be materially different from the allocation and securities actually selected for the client by the Registrant or its affiliates.

The Registrant's primary investment strategies - Long Term Purchases, Short Term Purchases, and Trading - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to

potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy. Trading, an investment strategy that requires the purchase and sale of securities within a thirty (30) day investment time period, involves a very short investment time period but will incur higher transaction costs when compared to a short term investment strategy and substantially higher transaction costs than a longer term investment strategy.

In addition to the fundamental investment strategies discussed above, the Registrant may also implement and/or recommend – short selling, use of margin, and/or options transactions. Each of these strategies has a high level of inherent risk. (See discussion below).

Short selling is an investment strategy with a high level of inherent risk. Short selling, involves the selling of assets that the investor does not own. The investor borrows the assets from a third party lender (i.e. Broker-Dealer) with the obligation of buying identical assets at a later date to return to the third party lender. Individuals who engage in this activity shall only profit from a decline in the price of the assets between the original date of sale and the date of repurchase. Conversely, the short seller will incur a loss if the price of the assets rises. Other costs of shorting may include a fee for borrowing the assets and payment of any dividends paid on the borrowed assets.

Margin is an investment strategy with a high level of inherent risk. A margin transaction occurs when an investor uses borrowed assets to purchase financial instruments. The investor generally obtains the borrowed assets by using other securities as collateral for the borrowed sum. The effect of purchasing a security using margin is to magnify any gains or losses sustained by the purchase of the financial instruments on margin. **Please Note:** To the extent that a client authorizes the use of margin, and margin is thereafter employed by the Registrant in the management of the client's investment portfolio, the market value of the client's account and corresponding fee payable by the client to the Registrant may be increased. As a result, in addition to understanding and assuming the additional principal risks associated with the use of margin, clients authorizing margin are advised of the potential ***conflict of interest*** whereby the client's decision to employ margin *may* correspondingly increase the management fee payable to the Registrant. Accordingly, the decision as to whether to employ margin is left totally to the discretion of client.

The use of options transactions as an investment strategy involves a high level of inherent risk. Option transactions establish a contract between two parties concerning the buying or selling of an asset at a predetermined price during a specific period of time. During the term of the option contract, the buyer of the option gains the right to demand fulfillment by the seller. Fulfillment may take the form of either selling or purchasing a security depending upon the nature of the option contract. Generally, the purchase or the recommendation to purchase an option contract by the Registrant shall be with the intent of offsetting/"hedging" a potential market risk in a client's portfolio. **Please Note:** Although the intent of the options-related transactions that may be implemented by the Registrant is to hedge against principal risk, certain of the options-related strategies (i.e. straddles, short positions, etc), may, in and of themselves, produce principal volatility and/or risk. Thus, a client must be willing to accept these enhanced volatility and principal risks associated with such strategies. In light of these enhanced risks, client may

direct the Registrant, in writing, not to employ any or all such strategies for his/her/their/its accounts.

### **Other Investment Strategies.**

In its role as a fiduciary, in order to enhance the value of its clients' holdings and/or to protect the value of its clients' investments, Registrant may from time to time take an activist stance with an issuer in which the Registrant's clients are invested. Such a strategy may include, but is not limited to, the Registrant a) writing to the issuer as a fiduciary on behalf of its clients indicating Registrant's perspective of the issuer's management and direction, b) making recommendations to the issuer's management and its board of directors, c) proposing matters for shareholders of the issuer to vote upon, and/or d) seeking a seat on the board of directors of the issuer. Depending upon the circumstances, the issuer may or may not be receptive to communications from the Registrant, and indeed may overtly resist, block, or ignore any or all of Registrant's suggestions and strategies.

The Registrant may (or may not) from time to time utilize a technique generally referred to as tactical asset allocation. This approach is sometimes described as an active portfolio management strategy that rebalances the percentage of assets held in various categories in order to take advantage of market pricing anomalies or strong market sectors. Such a strategy, for example, may result in increased transactions and lower exposure to equities in a client's account when the advisor perceives potential negative conditions in equity markets, or higher exposure to equities when the Registrant perceives potentially favorable market conditions.

Furthermore, while the Registrant may employ a number of investing styles (including but not limited to value, growth, or other strategies) within a single client account—generally the Registrant favors value investing. Value investing attempts to find investments in issuers which, among other things, may trade at discounts to book value or tangible book value, have high dividend or interest yields, have low price-to-earnings multiples or have low price-to-book ratios. Securities with these characteristics may be those of out-of-favor companies, industries, sectors, funds, etc. Additionally, while value-oriented investments may come about simply due to market dynamics, it is also possible that value-oriented investments arise due to deteriorating business conditions for a given company, industry, sector, fund, etc. By employing the value strategy, Registrant hopes to achieve a return when, as, and if the market's perception over time improves for a particular company, industry, sector, fund, etc. Such a strategy may take time to develop in the manner the Registrant expects, if ever, and may or may not yield positive results.

- B. Currently, the Registrant primarily allocates client investment assets among various individual equity (stocks), debt (bonds) and fixed income securities, mutual funds and/or exchange traded funds ("ETFs") (including inverse ETFs and/or mutual funds that are designed to perform in an inverse relationship to certain market indices), foreign securities or funds and publically traded master limited partnerships, on a discretionary basis in accordance with the client's designated investment objective(s).

As disclosed above, the Registrant may utilize long and short mutual funds and/or exchange traded funds that are designed to perform in either an: (1) inverse relationship to certain market indices (at a rate of 1 or more times the inverse [opposite] result of the corresponding index) as an investment strategy and/or for the purpose of hedging against downside market risk; and (2) enhanced relationship to certain market indices (at a rate of 1 or more times the actual result of the corresponding index) as an investment strategy and/or for the purpose of increasing gains in an advancing market. There can be **no assurance** that any such strategy will prove profitable or successful. In light of these enhanced risks/rewards, a client may direct the Registrant, in writing, not to employ any or all such strategies for his/her/their/its accounts. (*See* Item 4.B).

## **Item 9           Disciplinary Information**

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

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

- A. **Registered Representatives of Winston.** As disclosed above in Item 5.E, certain of Registrant's representatives are also registered representatives of *Winston*, an SEC registered and FINRA member broker-dealer.
- B. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C.
  - 1. **Broker Dealer.** As disclosed above in Item 5.E, certain of Registrant's representatives are registered representatives of *Winston*, an SEC registered and FINRA member broker-dealer. Clients can choose to engage certain of Registrant's representatives, in their individual capacities, to effect securities brokerage transactions on a commission basis.
  - 2. **Private Investment Fund.** As disclosed in Item 4.B above, Registrant is the managing member of a private investment fund, the Remington Value & Special Situation Fund LLC ("*Remington*"). The purpose of *Remington* is to seek long-term growth of capital based on value investing and special situation principles – with a particular (but not exclusive) focus on issuers with a market capitalization of \$500 million and less. The Registrant may recommend, on a non-discretionary basis, that qualified clients allocate a portion of their investment assets to *Remington*. To the extent that Registrant's individual advisory clients qualify, and determine that an investment is appropriate given their investment objective(s) and financial situation, they may participate as members of *Remington*. The terms and conditions for participation in *Remington* are set forth in *Remington*'s offering documents (discussing fees-including fees payable to the General Partner and the investment adviser [including performance based compensation], conflicts of interest, risk factors, and liquidity constraints), which each prospective investor client shall receive, and shall be required to complete and submit the corresponding Subscription Agreement to the managing member in order to demonstrate qualification for investment in *Remington*.

**Please Note:** Private investment funds generally involve various risk factors including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each of the offering documents, which will be provided to each client for review and consideration. Unlike liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment.

**Please Also Note: Valuation.** In the event that the Registrant references private investment funds owned by the client on any supplemental account reports prepared by the Registrant, the value(s) for all such private investment funds shall reflect either the initial purchase and/or the most recent valuation provided by the fund sponsor. If the valuation reflects the initial purchase price (and/or a value as of a previous date), the current value(s) (to the extent ascertainable) could be **significantly more or less** than the original purchase price.

**Please Also Note:** Because the Registrant can earn both an “assets under management” fee and incentive compensation from its role as the managing member of *Remington*, and can earn compensation from *Remington* that may exceed the fee that the Registrant would earn under its standard “assets under management” fee schedule referenced at Item 4.B above, the recommendation that a client become a *Remington* investor presents a **conflict of interest**. No client is under any obligation to become a *Remington* investor. **The Registrant’s Chief Compliance Officer, Gregg T. Abella, remains available to address any questions regarding this conflict of interest.**

**Affiliated Mutual Fund.** The Registrant provides investment management services through its affiliated mutual fund, Investment Partners Absolute Return Fund (the “*Fund*”), an investment company registered under the Investment Company Act of 1940. The *Fund*’s objective is to provide positive absolute returns generally by investing in a combination of (i) equity securities, (ii) fixed-income securities, (iii) other investment companies, (iv) cash equivalents, and (v) writing covered call options using the adviser’s proprietary tactical asset allocation and security selection methodology. A complete description of the *Fund*, its strategy, objectives, and costs is set forth in the *Fund* prospectus, a copy of which is provided to all clients that engage the Registrant’s services through the *Fund*.

Although all mutual funds charge fees (i.e. administrative and investment management fees), because of the *Fund*’s relationship to the Registrant, a potential **conflict of interest** is presented because: (1) a portion the fees will be payable to Registrant for its investment management services; **and** (2) the investment management fee and other expenses to be received by Registrant and/or affiliates of Registrant from the *Fund* directly or indirectly may be higher than Registrant’s clients are currently charged under its standard “assets under management” fee

schedule referenced at Item 4.B above, or at an individual client's particular negotiated rate. Additionally, employees of Registrant indirectly have previously received compensation from the *Fund* under its 12b-1 Plan. Specifically, since Messrs. Frank J. Abella, Jr., Gregg T. Abella, Frank J. Abella III and Thomas Shepherd are each registered representatives of *Winston*, to the extent clients hold shares of the *Fund* in accounts at *Winston*, these individuals are entitled to a portion of the 12b-1 fee paid by the *Fund* to the distributor (and then to *Winston*) for shareholder servicing. Neither the Registrant's Investment Advisory Agreement, nor the *Fund*'s advisory agreement provide for a reduction of the Registrant's fee by the amount of 12b-1 fees paid to *Winston* and/or any employee of the Registrant. A copy of the *Fund*'s Prospectus and Statement of Additional Information further discussing objectives, fees, and other *Fund* information are available from Registrant upon written request. (It should be noted that the Fund no longer has a 12-b 1 Plan as of the date of this filing.)

Furthermore, depending upon the brokerage firm or custodian a client chooses, shares of the *Fund* may or may not be transferable to another custodian in the event a client transfers its account subsequent to purchasing the *Fund*. In such a circumstance, a client may potentially be required to liquidate its investment in the *Fund* in order to complete an account transfer.

Pursuant to the terms of the *Investment Advisory Agreement*, the Registrant shall have discretion to place client assets in the *Fund*. The Registrant will only receive, and the client will only pay, one management fee relative to a *Fund* investment, which fee shall be paid directly to the Registrant by the *Fund*.

**Please Note:** A client may direct the Registrant, in writing, not to utilize the *Fund* for his/her/its portfolio.

**The Registrant's Chief Compliance Officer, Gregg T. Abella, remains available to address any questions regarding this conflict of interest.**

8. **Licensed Insurance Agency.** Registrant's affiliate, Investment Partners Capital Management, is an owner of Aurum Partners, LLC, a licensed insurance agency. Certain of Registrant's representatives may recommend that clients purchase insurance products through Aurum Partners, LLC.

- **Conflict of Interest:** The recommendation by Registrant's representatives that a client purchase an insurance commission product from Aurum Partners, LLC presents a *conflict of interest*, as the potential receipt of compensation from Investment Partners Capital & Management attributable to its ownership interest in Aurum Partners, LLC may provide an incentive to recommend investment products based on compensation to be received, rather than on a particular client's need. No client is under any obligation to purchase any insurance products from Aurum Partners, LLC. Clients are reminded that they may purchase insurance products recommended by Registrant through other, non-affiliated insurance agents or agencies. **The Registrant's Chief Compliance Officer, Gregg T. Abella, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**



- D. The Registrant does not currently receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

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

- A. The Registrant maintains an investment policy relative to personal securities transactions. This investment policy is part of Registrant's overall Code of Ethics, which serves to establish a standard of business conduct for all of Registrant's Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, the Registrant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Registrant or any person associated with the Registrant.

- B. As disclosed above, the Registrant may recommend, on a non-discretionary basis, that qualified clients allocate a portion of their investment assets to *Remington*. To the extent that Registrant's individual advisory clients qualify, and determine that an investment is appropriate given their investment objective(s) and financial situation, they may participate as members of *Remington*. The terms and conditions for participation in *Remington* is set forth in *Remington*'s offering documents (discussing fees-including fees payable to the General Partner and the investment adviser [including performance based compensation], conflicts of interest, risk factors, and liquidity constraints), which each prospective investor client shall receive, and shall be required to complete and submit the corresponding Subscription Agreement to the managing member in order to demonstrate qualification for investment in *Remington*.

The Registrant, its affiliates, representatives and their family members may also invest in *Remington*.

**Please Note:** Because the Registrant can earn both an "assets under management" fee and incentive compensation from its role as the managing member of *Remington*, and can earn compensation from *Remington* that may exceed the fee that the Registrant would earn under its standard "assets under management" fee schedule referenced in Item 4.B above, the recommendation that a client become a *Remington* investor presents a **conflict of interest**. No client is under any obligation to become a *Remington* investor. **The Registrant's Chief Compliance Officer, Gregg T. Abella, remains available to address any questions regarding this conflict of interest.**

In addition, The Registrant provides investment management services through its affiliated mutual fund, Investment Partners Absolute Return Fund (the "*Fund*"), an investment company registered under the Investment Company Act of 1940. The *Fund*'s objective is long-term capital appreciation with income as a secondary objective. A complete description of the *Fund*, its strategy, objectives, and costs is set forth in the *Fund* prospectus, a copy of which is provided to all clients that engage the Registrant's services through the *Fund*.

Although all mutual funds charge fees (i.e. administrative and investment management fees), because of the *Fund*'s relationship to the Registrant, a potential **conflict of interest** is presented because: (1) a portion the fees will be payable to Registrant for its

investment management services; **and** (2) the investment management fee and other expenses to be received by Registrant and/or affiliates of Registrant from the *Fund* directly or indirectly may be higher than Registrant's clients are currently charged under its standard "assets under management" fee schedule referenced in Item 4.B above, or at an individual client's particular negotiated rate. Additionally, employees of Registrant indirectly have received compensation from the *Fund* under its 12b-1 Plan. Specifically, since Messrs. Frank J. Abella, Jr., Gregg T. Abella, Frank J. Abella III and Thomas Shepherd are each registered representatives of *Winston*, to the extent clients hold shares of the *Fund* in accounts at *Winston*, these individuals are entitled to a portion of the 12b-1 fee paid by the *Fund* to the distributor (and then to *Winston*) for shareholder servicing. Neither the Registrant's Investment Advisory Agreement, nor the *Fund's* advisory agreement provide for a reduction of the Registrant's fee by the amount of 12b-1 fees paid to *Winston* and/or any employee of the Registrant. A copy of the *Fund's* Prospectus and Statement of Additional Information further discussing objectives, fees, and other *Fund* information are available from Registrant upon written request. (It should be noted that the Fund no longer has a 12-b 1 Plan as of the date of this filing.)

**Please Also Note:** A client may direct the Registrant, in writing, not to utilize the *Fund* for his/her/its portfolio. **The Registrant's Chief Compliance Officer, Gregg T. Abella, remains available to address any questions regarding this conflict of interest.**

- C. The Registrant and/or representatives of the Registrant *may* buy or sell securities that are also recommended to clients. This practice may create a situation where the Registrant and/or representatives of the firm are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if the Registrant did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of the Registrant's clients) and other potentially abusive practices.

The Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Registrant's "Access Persons". The Registrant's securities transaction policy requires that Access Persons of the Registrant must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within thirty (30) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date the Registrant selects; provided, however that at any time that the Registrant has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. The Registrant and/or representatives of the Registrant *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where the Registrant and/or representatives of the firm are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11.C, the

Registrant has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Registrant's Access Persons.

## **Item 12            Brokerage Practices**

- A. The Registrant's employees are brokerage registered representatives of *Winston*. As such, the Registrant generally recommends that investment management accounts be maintained at *Winston*. In limited circumstances, and with the prior written approval of the Chief Compliance Officer, the client and Registrant *may* enter into an arrangement with a different broker dealer/custodian. Prior to engaging Registrant to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with Registrant setting forth the terms and conditions under which Registrant shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that the Registrant considers in recommending *Winston* (or any other broker-dealer/custodian to clients) include historical relationship with the Registrant, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Registrant's clients shall comply with the Registrant's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Registrant determines, in good faith, that the commission/transaction fee is reasonable in 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 broker-dealer services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Registrant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. Under certain circumstances, it is possible that the Registrant may select a broker-dealer to conduct a trade in specific securities (for example fixed-income securities such as bonds) which could result in a commission or mark-up for the broker-dealer in addition to commission charge from the client's custodial broker-dealer (generally *Winston*) in order to settle the trade in a client account.

The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Registrant's investment management fee. However, clients that select Registrant's investment advisory services Option 1 as set forth in Item 4.B above, and have their assets custodied at *Winston*, shall not incur brokerage execution transaction costs in addition to their investment advisory fees. The Registrant's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

### **1. Research and Additional Benefits**

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Registrant may receive from *Winston* (or another broker-dealer/custodian) without cost (and/or at a discount) support services and/or products, certain of which assist the Registrant to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by the Registrant may be investment-related research, pricing information and market data, software and other

technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Registrant in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that *may* be received may assist the Registrant in managing and administering client accounts. Others do not directly provide such assistance, but rather assist the Registrant to manage and further develop its business enterprise.

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

**The Registrant's Chief Compliance Officer, Gregg T. Abella, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.**

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

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

**The Registrant's Chief Compliance Officer, Gregg T. Abella, remains available to address any questions that a client or prospective client may have regarding the above arrangement.**

- B. To the extent that the Registrant provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless

the Registrant decides to purchase or sell the same securities for several clients at approximately the same time. The Registrant may (but is not obligated to) combine or “bunch” such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Registrant’s clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. The Registrant shall not receive any additional compensation or remuneration as a result of such aggregation.

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

- A. For those clients to whom Registrant provides investment supervisory services, account reviews are conducted on an ongoing basis by the Registrant's Principals and/or representatives. All investment supervisory clients are advised that it remains their responsibility to advise the Registrant of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with the Registrant on an annual basis.
- B. The Registrant *may* conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance.

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

- A. As referenced in Item 12.A.1 above, the Registrant may receive an indirect economic benefit from *Winston*. The Registrant, without cost (and/or at a discount), may receive support services and/or products from *Winston*.

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

**The Registrant’s Chief Compliance Officer, Gregg T. Abella, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.**

- B. If a client is introduced to the Registrant by either an unaffiliated or an affiliated solicitor, Registrant *may* pay that solicitor a referral fee in accordance with the requirements of

Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from the Registrant's investment management fee, and shall not result in any additional charge to the client. If the client is introduced to the Registrant by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of his/her/its solicitor relationship, and shall provide each prospective client with a copy of the Registrant's written Brochure with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between the Registrant and the solicitor, including the compensation to be received by the solicitor from the Registrant.

## **Item 15      Custody**

The Registrant shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance.

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

**Please Note:** Custody Situations: The Registrant engages in other practices and/or services on behalf of its clients that require disclosure at the Custody section of Part 1 of Form ADV, which practices and/or services are subject to an annual CPA examination in accordance with the requirements of Rule 206(4)-2 under the Investment Advisers Act of 1940. The Registrant's Chief Compliance Officer, Gregg T. Abella, remains available to address any questions that a client or prospective client may have regarding custody-related issues.

## **Item 16      Investment Discretion**

The client can determine to engage the Registrant to provide investment advisory services on a discretionary basis. Prior to the Registrant assuming discretionary authority over a client's account, client shall be required to execute an *Investment Advisory Agreement*, naming the Registrant as client's attorney and agent in fact, granting the Registrant full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage the Registrant on a discretionary basis may, at anytime, impose restrictions, **in writing**, on the Registrant's discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe the Registrant's use of margin, etc.).

## **Item 17          Voting Client Securities**

- A. Unless the Registrant notifies the client to the contrary, it is the Registrant's general policy that the client shall be responsible for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type of events pertaining to the client's accounts. Examples where the Registrant may choose to vote a particular proxy on a client's behalf include, but are not limited to: a) the upcoming deadline of a vote makes it impractical for a client to vote its own proxy; b) an item requiring a vote materially impacts (positively or negatively) a client's rights or financial position with an issuer; c) a client has asked the Registrant to evaluate a proxy and vote it on its behalf; or d) the Registrant determines that an item requiring a vote is a non-routine matter with respect to an issuer. Notwithstanding the above, the Registrant must vote proxies for an affiliated mutual fund that it manages. To obtain a complete copy of the Registrant's proxy voting policies and procedures, or to obtain information as to how the Registrant may have voted any proxies on a client's behalf, the client should contact the Registrant's Chief Compliance Officer, Gregg T. Abella.
- B. Unless the Registrant notifies its clients to the contrary and agrees to vote the client's proxy, clients will receive their proxies or other solicitations directly from their custodian. Clients may contact the Registrant to discuss any questions they may have with a particular solicitation.

## **Item 18          Financial Information**

- A. The Registrant does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. The Registrant is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. The Registrant has not been the subject of a bankruptcy petition.

**ANY QUESTIONS: The Registrant's Chief Compliance Officer, Gregg T. Abella, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**