

# **Train, Babcock Advisors LLC**

SEC File Number: 801 – 10571

757 Third Avenue, 27<sup>th</sup> fl.  
New York, New York 10017  
[www.trainbabcock.com](http://www.trainbabcock.com)

**April 25, 2017**

This brochure provides information about the qualifications and business practices of Train, Babcock Advisors LLC (the “Registrant”). If you have any questions about the contents of this brochure, please contact us at (212) 451-3400 or [atevletidis@trainbabcock.com](mailto:atevletidis@trainbabcock.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 Train, Babcock Advisors LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

References herein to Train, Babcock Advisors LLC as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.

## Item 2 Material Changes

The date of the previous Brochure was March 31, 2017.

On January 27, 2017, Mr. John Rogicki tendered his resignation from his positions of Co-Managing Member, and Managing Director and Chief Compliance Officer of the Registrant. Mr. Rogicki also served as co-managing member of the Registrant and continues, as of the date of this filing, to own a substantial percentage of the membership interests of the Registrant. After Mr. Rogicki's resignation, the Registrant discovered that Mr. Rogicki had apparently deleted certain electronic business records relating to a client of the Registrant (the "Client") for which Mr. Rogicki had served as both Trustee (acting, in substance, as the Client) and the financial adviser employed by the Registrant for the Client. When the Registrant attempted to obtain more information about these business records from Mr. Rogicki directly, an attorney representing Mr. Rogicki responded to that request for information by informing the Registrant that Mr. Rogicki refused to provide any information or answer any questions concerning the Client.

The Staff of the Enforcement Division of the U.S. Securities and Exchange Commission (the "SEC") is conducting an investigation that concerns the Client, Mr. Rogicki and the Registrant's policies and procedures. The Registrant is fully cooperating with the SEC's investigation.

After Mr. Rogicki's resignation, the Registrant appointed Mr. Arthur Tevletidis to serve as Interim Chief Compliance Officer in addition to his role as Chief Operating Officer. The Registrant is conducting an active search for a permanent Chief Compliance Officer. To assist Mr. Tevletidis, the Registrant has retained outside compliance consultants and legal counsel who have, among other things, provided guidance and legal advice to the Registrant concerning both the SEC investigation and the drafting and filing of this Form ADV. The Registrant will update its Form ADV filing as soon as a new, permanent Chief Compliance Officer is hired.

In addition, in March 2017, Geraldine Hoffman became a Managing Director of the Registrant. She joined the company in 2004 as Controller and has served as Chief Financial Officer since 2013. In addition to continuing as CFO, Ms. Hoffman replaces John Rogicki in co-managing the company along with Pamela Raviol, who continues to serve as Managing Member of the Registrant.

## Item 3 Table of Contents

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

Item 15 Custody .....	13
Item 16 Investment Discretion .....	13
Item 17 Voting Client Securities.....	14
Item 18 Financial Information.....	14

#### Item 4 Advisory Business

- A. The Registrant has been in business since January 1959 and became registered as an SEC Investment Adviser on January 27, 1975. As described in more detail below, the owner members of the Registrant are principally owned by Mr. John Train, Mr. Henry Babcock, Concord International Investments Group, L.P., Ms. Pamela Raviol and Mr. John Rogicki. Ms. Raviol served as Managing Member of the Registrant.
- B. The Registrant offers to its clients (individuals, investment companies, investment limited partnerships, pension and profit sharing plans, business entities, trusts, estates and charitable organizations, etc.) investment advisory services. The Registrant **may at client request provide** financial planning and related consulting services.

#### **INVESTMENT ADVISORY SERVICES**

The client can determine to engage the Registrant to provide discretionary and non-discretionary investment advisory services on a *fee-only* 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, generally between 1.00% and 1.50 %.

Registrant's annual investment advisory fee shall include investment advisory services, and, to the extent specifically requested by the client, financial planning and consulting services. In the event that the client requires extraordinary planning and/or consultation services (to be determined in the sole discretion of the Registrant), the Registrant may determine to charge for such additional services which shall be mutually agreed to with the client.

#### **MISCELLANEOUS**

**Limited Consulting/Implementation Services.** 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. Neither the Registrant, nor any of its representatives, serves as an attorney, accountant, or licensed insurance agent, 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 and not the Registrant.

**Please Note: Non-Discretionary Service Limitations.** Clients that engage the Registrant on a non-discretionary investment advisory basis must acknowledge that the Registrant cannot effect any account transactions without obtaining prior verbal consent to any such transaction(s) from the client. Thus, in the event of a market correction during which the

client is unavailable, the Registrant will be unable to effect any account transactions (as it would for its discretionary clients) without first obtaining the client's verbal consent.

**Star Gas Partners, LP.** Registrant's member, Mr. Henry D. Babcock, is a member of the Board of Directors of Star Gas Partners, LP, a public traded company listed on the New York Stock Exchange ("Star"). The Registrant does not purchase Star for its clients. Mr. Babcock's affiliation with Star is not material to the Registrant's investment advisory business.

**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 their responsibility to promptly notify the Registrant if there is ever any change in their financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

**Disclosure Statement.** A copy of this written Brochure shall be provided to each client prior to, or contemporaneously with, the execution of the *Investment Advisory Agreement*.

- C. The Registrant shall provide investment advisory services specific to the needs of each client (i.e., Registrant tailors its advisory services to each client). Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment experience, risk tolerance and 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 recommendations or services.
- D. The Registrant does not participate in a wrap fee program.
- E. As of December 31, 2016, the Registrant had total \$434,134,904 assets under management. Of this total there were \$426,160,108 assets managed on a discretionary basis and \$7,974,796 assets managed on a non-discretionary basis.

## **Item 5 Fees and Compensation**

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

### **INVESTMENT ADVISORY SERVICES**

If a client determines to engage the Registrant to provide discretionary and/or nondiscretionary investment advisory services on a *fee-only* 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 0.75% and 1.50%) as follows:

<u>Market Value On That Part of the</u>	<u>Annual Fee %</u>
<u>Managed Portfolio</u>	
Up to \$1,500,000	1.50 %
Between \$1.5 million and \$3 million	1.00 %
Thereafter	0.75 %

- 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 advance, based upon the market value of the assets on the last business day of the previous quarter.
- C. As discussed below, to the extent that the client requests that the Registrant recommend a broker-dealer/custodian for execution or custodial services (exclusive of those clients that direct the Registrant to use a specific broker-dealer/custodian), Registrant generally recommends that investment management accounts be maintained at various broker-dealers or custodians, including, but not limited to, Charles Schwab & Co., Inc. ("*Schwab*"). Broker-dealers such as *Schwab* charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e., transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). In addition to Registrant's investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g., management fees and other fund expenses). When beneficial to the client, individual fixed income transactions may be effected through broker-dealers with whom Registrant and/or the client have entered into arrangements for prime brokerage clearing services (in which event, the client shall incur both the transaction fee charged by the executing broker-dealer and a "tradeaway" fee charged by *Schwab*).
- D. Registrant's annual investment advisory fee shall be pro-rated and paid quarterly, in advance, based upon the market value of the assets on the last business day of the previous quarter. The Registrant has one client that is billed quarterly in arrears. The Registrant generally requires a minimum annual fee of \$15,000 and a minimum asset level of \$1 million for investment advisory services. Registrant's fee is negotiable. The Registrant, in its sole discretion, may reduce its investment management fee and/or reduce or waive its minimum asset requirement 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.

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

Not all clients pay the same management fees. These fees may be negotiated on an individual basis at the discretion of the Registrant. The Registrant is aware of the conflict of interest which may exist as a result of this practice.

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

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

## Item 7 Types of Clients

The Registrant's clients shall generally include individuals, investment companies, investment limited partnerships, pension and profit sharing plans, business entities, trusts, estates and charitable organizations. The Registrant may provide investment advisory services to the family members of its Advisory Persons. The Registrant generally requires a minimum annual fee of \$15,000 and a minimum asset level of \$1 million for investment advisory services. The Registrant, in its sole discretion, may reduce its investment management fee and/or reduce or waive its minimum asset requirement 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.). Each client must also sign an agreement with the Registrant as part of the Registrant providing services to that client.

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

The Registrant shall utilize the following methods of security analysis:

- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)

The Registrant shall 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)
- 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).

- A. The Registrant's methods of analysis and investment strategies do not present any significant or unusual risks other than market risk.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis the Registrant must have access to current/new market information. The Registrant has no control over the dissemination rate of market information; therefore, unbeknownst to the Registrant, certain analyses may be compiled with outdated market information, severely limiting the value of the Registrant's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values.

There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

The Registrant's primary investment strategies - Long Term Purchases and Short Term Purchases 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.

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 client does not own. The client 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. Clients 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 or "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 their accounts.

- B. Currently, the Registrant primarily allocates client investment assets among individual debt and equity securities, and, to a much lesser extent, among no load or load-waived mutual funds on a discretionary or non-discretionary basis in accordance with the client's designated risk tolerance and investment objective(s).

**Item 9                    Disciplinary Information**

In December 2016, Mr. Brian Keenan, the former Chief Executive Officer of the Registrant who left the employment of the Registrant in August 2012, pleaded guilty to Grand Larceny in the First Degree in New York State Supreme Court. According to the press release issued by the Manhattan District Attorney, Mr. Keenan stole more than \$1.6 million from the beneficiaries of three separate trusts that Mr. Keenan managed (the "Trusts"). Mr. Keenan served as Co-Trustee of the Trusts while he was employed at the Registrant. During 2015, the Registrant reached a settlement agreement with the beneficiaries of the Trusts pursuant to which the Trusts recovered the monies taken by Mr. Keenan and certain attorneys' fees.

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

- A. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a FINRA broker-dealer or a registered representative of a FINRA broker-dealer.
- B. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a NFA futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. **Investment Advisor Firm.** Concord International Investments Group, L.P ("Concord") has a sixteen percent (16%) ownership interest in Registrant. Registrant and Concord's subsidiary, Concord Investment Management, may pay the other a percentage of their investment advisory fee for the delegation of the investment decisions and administration of a client portfolio.
- D. The Registrant does not 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 advisory persons that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.



- B. In accordance with Section 204A-1 of the Investment Advisers Act of 1940, as amended 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. Neither the Registrant nor any related person of Registrant recommends, buys, or sells for client accounts, securities in which the Registrant or any related person of Registrant has a material financial interest.
- C. The Registrant and/or representatives of the Registrant *may* buy or sell securities that are also recommended to clients. This practice may create a situation where the Registrant and/or advisory persons of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as “scalping” (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if the Registrant did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, “front-running” (i.e., personal trades executed 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 “Supervised or Access Persons” (collectively referred to as Advisory Persons). The Registrant’s securities transaction policy requires that an Advisory Person of the Registrant must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Advisory Person, which information must be current as of a date no more than 45 days prior to the date the person becomes an Advisory Person. Additionally, each Advisory Person must provide the Chief Compliance Officer or his/her designee with a written report of the Advisory 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 Advisory Person, he or she shall not be required to submit any securities report described above.

- D. The Registrant and/or advisory persons 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 advisory persons of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 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 Advisory Persons.

## **Item 12 Brokerage Practices**

- A. To the extent that the client requests that the Registrant recommend a broker-dealer or custodian for execution or custodial services (exclusive of those clients that direct the Registrant to use a specific broker-dealer or custodian), the Registrant generally recommends that investment management accounts be maintained at various broker-dealers or custodians, including, but not limited to, *Schwab*. Prior to engaging the Registrant to provide investment management services, the client will be required to enter into a formal Investment Advisory Agreement with the Registrant setting forth the terms

and conditions under which the Registrant shall manage the client's assets and a separate custodial/clearing agreement with each designated broker-dealer or custodian.

Factors that the Registrant considers in recommending a particular broker-dealer or custodian include historical relationship with the Registrant, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Registrant's clients shall comply with the Registrant's duty to obtain best execution, a client may pay a commission that is higher than another qualified brokerdealer 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 a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Registrant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer or custodian are exclusive of, and in addition to, Registrant's investment management fee. The Registrant's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

1. Soft Dollar Arrangement

In return for effecting securities transactions through a particular broker-dealer, Registrant may receive certain investment research products or services which assist the Registrant in its investment decision making process for the client pursuant to Section 28(e) of the Securities Exchange Act of 1934, as amended (generally referred to as a "soft-dollar" arrangement). Investment research products or services received by Registrant may include, but are not limited to, analyses pertaining to specific securities, companies or sectors; market, financial and economic studies and forecasts; financial publications, portfolio management systems, and statistical and pricing services. Although the commissions paid by Registrant's clients shall comply with the Registrant's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Registrant determines, in good faith, that the commission is reasonable in 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 the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Registrant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. Although the investment research products or services that may be obtained by Registrant will generally be used to service all of Registrant's clients, a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client's account. With respect to investment research products or services obtained by the Registrant that have a mixed use of both a research and non-research (i.e., administrative, etc.) function, Registrant shall make a reasonable allocation of the cost of the product or service according to its

use - the percentage of the product or service that provides assistance to the Registrant's investment decision-making process will be paid for with soft dollars while that portion which provides administrative or other non-research assistance will be paid for by the Registrant with hard dollars. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Registrant's investment management fee.

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

2. Brokerage for Client Referrals: The Registrant may receive referrals from broker-dealers. a.) The Registrant does not select or recommend broker-dealers based on receiving client referrals. However the Registrant has introduced a referral arrangement whereby it will pay its Advisory Persons a referral fee for introducing new clients. The Registrant shall comply with the requirements of Rule 206(4)-3 under the Advisers Act of 1940, as amended. Rule 206(4)-3 under the Advisers Act requires: (1) a written agreement between the adviser and the solicitor setting forth certain terms and conditions of the referral arrangement; (2) the solicitor to provide the prospective client with a copy of the adviser's written disclosure statement at the time of the solicitation; (3) the solicitor to provide the client with a separate written disclosure document containing certain information pertaining to the solicitation arrangement, including a description of the compensation to be paid to the solicitor; and (4) the adviser to obtain (and maintain for Rule 204-2 recordkeeping purposes) a signed and dated document

from the client acknowledging his/her/their/its receipt of both the adviser's and the solicitor's written disclosure statements. b.) The Registrant does not direct client transactions to a particular broker-dealer in return for client referrals.

3. Directed Brokerage: 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.

- 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. Where the Registrant does not bunch/aggregate orders when it otherwise has the opportunity to do so, it may affect the Registrant's ability to obtain most favorable commission rates and pricing.

### **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 advisory persons. All clients are advised that it remains their responsibility to advise the Registrant of any changes in their risk tolerance, investment objectives and/or general financial situation. All clients (either in person or telephonically) are encouraged to report any changes to their risk tolerance, investment objectives and/or general financial situation to 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 risk tolerance, investment objectives and/or general financial situation.

- C. Clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those clients to whom Registrant provides investment supervisory services will also receive a written quarterly report from the Registrant 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 *Schwab*. The Registrant, without cost (and/or at a discount), may receive support services and/or products from *Schwab*.

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

**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. In addition, Registrant's advisory persons have the dual role of trustee for certain of Registrant's clients. Clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or qualified custodian for the client accounts. Those clients to whom Registrant provides investment supervisory services will also receive a quarterly report from the Registrant 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.

**Item 16 Investment Discretion**

The client can determine to engage the Registrant to provide investment advisory services on a discretionary basis. Prior to the Registrant assuming discretionary authority over a client's account, the client shall be required to execute *Investment Advisory Agreement*, naming the Registrant as the client's attorney and agent in fact, granting the Registrant 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**

By way of letter to Clients dated January 5, 2017, the Registrant no longer uses a Third-Party Proxy Manager to assist with proxy voting. Registrant advised its Clients that it is their sole responsibility to vote proxies on their holdings when received.

**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.