

# Connors Investor Services, Inc.

SEC File Number: 801 – 6211

## **ADV Part 2A, Brochure**

**Dated: July 24, 2017**

Contact: Michael J. Noon, Chief Compliance Officer  
1210 Broadcasting Road  
Wyomissing, PA 19610

This Brochure provides information about the qualifications and business practices of Connors Investor Services, Inc. (the “Registrant”). If you have any questions about the contents of this Brochure, please contact us at (610) 376-7418. 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 Connors Investor Services, Inc. also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

References herein to Connors Investor Services, Inc. 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

Since the March 25, 2017 annual update filing, this Brochure has been materially amended as follows:

- Item 4.B has been amended to disclose the firm’s status as a fiduciary in certain instances under the Department of Labor’s Fiduciary Rule

Please refer to the Item identified above for more information about this material change.

**ANY QUESTIONS: Connors Investor Services Inc.’s Chief Compliance Officer, Michael J. Noon, remains available to address any questions that an existing or prospective client may have regarding this Brochure.**

## 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 .....	7
Item 6	Performance-Based Fees and Side-by-Side Management .....	8
Item 7	Types of Clients.....	9
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss.....	9
Item 9	Disciplinary Information .....	10
Item 10	Other Financial Industry Activities and Affiliations .....	11
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	11
Item 12	Brokerage Practices .....	12
Item 13	Review of Accounts.....	17
Item 14	Client Referrals and Other Compensation.....	18
Item 15	Custody.....	18
Item 16	Investment Discretion.....	19
Item 17	Voting Client Securities.....	19
Item 18	Financial Information .....	19

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

- A. Connors Investor Services, Inc. (the “Registrant”) is a corporation formed in the State of Delaware. The Registrant is principally owned by James Connors. Mr. Connors is the Registrant’s Chairman.
- B. As discussed below, the Registrant offers investment advisory services to its clients, (generally: individuals, high net worth individuals, pooled investment vehicles, pension and profit-sharing plans, trusts, estates, charitable organizations, investment partnerships, and business entities). The Registrant does not provide financial planning or related consulting services.

#### **INVESTMENT MANAGEMENT SERVICES**

The Registrant provides investment management services on a discretionary 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. Before engaging the Registrant to provide investment advisory services, clients are required to enter into an *Investment Advisory Agreement* with Registrant setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the fee that is due from the client. To commence the investment advisory process, an investment adviser representative will first ascertain each client’s investment objectives and then allocate and/or recommend that the client allocate investment assets consistent with the designated investment objectives. Once allocated, the Registrant provides ongoing monitoring and review of account performance and asset allocation as compared to client investment objectives, and may periodically execute transactions for the account based upon such reviews.

#### **MISCELLANEOUS**

**No Financial Planning or Non-Investment Consulting/Implementation Services.** The Registrant does not provide financial planning and related consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Registrant **does not** serve as an attorney, accountant, or insurance agency, and no portion of its services should be construed as legal, accounting, or insurance brokerage services. Accordingly, Registrant **does not** prepare estate planning documents, tax returns or sell insurance products. To the extent requested by a client, Registrant may recommend the services of other professionals for certain non-investment implementation purpose (i.e. attorneys, accountants, insurance agents, etc.). Clients are reminded that they are 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 made by Registrant or its representatives. **Please Note:** If the client engages any unaffiliated recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional.

**Affiliated Private Investment Funds.** The Registrant is the General Partner of CIS Aggressive Growth Partners, CIS Alternative Investment Partners, CIS Balanced Investment Partners, CIS Hedged Growth Partners, CIS Income & Growth Partners, CIS Index Overwrite Partners and CIS Microcap Growth Partners (collectively referred to as the “*affiliated private funds*”). The Registrant, on a non-discretionary basis, may

recommend that qualified clients consider allocating a portion of their investment assets to the *affiliated private funds*. The terms and conditions for participation in the *affiliated private funds*, including management and incentive fees, conflicts of interest, and risk factors, are set forth in the fund's offering documents. Registrant's clients are under absolutely no obligation to consider or make an investment in a private investment fund(s).

**Affiliated Private Investment Fund Risk Factors:** 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 fund's 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.

**Conflict Of Interest.** Because the Registrant earns compensation from the *affiliated private funds* (both management fees and incentive compensation) that may exceed the fee that Registrant would earn under its standard asset based fee schedule referenced in Item 5 below, the recommendation that a client become an investor in the *affiliated private funds* presents a **conflict of interest**. No client is under any obligation to become an investor in the *affiliated private funds*. **The Registrant's Chief Compliance Officer, Michael J. Noon, remains available to address any questions regarding this conflict of interest.**

**Affiliated Private Investment Fund 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 private investment funds owned by the client shall reflect the most recent valuation provided by the fund sponsor. If the fund sponsor does not provide a post-purchase valuation, then the valuation shall reflect the initial purchase price (and/or a value as of a previous date) or the current value(s) (either the initial purchase price 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), then the current value(s) (to the extent ascertainable) **could be significantly more or less than the original purchase price**. The client's advisory fee shall be based upon such reflected fund value(s).

**Unaffiliated Private Investment Funds.** Registrant may also provide investment advice regarding unaffiliated private investment funds. Registrant, on a non-discretionary basis, may also recommend that certain qualified clients consider an investment in unaffiliated private investment funds. Registrant's role relative to the private investment funds shall be limited to its initial and ongoing due diligence and investment monitoring services. If a client determines to become a private fund investor, the amount of assets invested in the fund(s) shall be included as part of "assets under management" for purposes of Registrant calculating its investment advisory fee. Registrant's clients are under absolutely no obligation to consider or make an investment in a private investment fund(s).

**Unaffiliated Private Investment Fund Risk Factors:** 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 fund's offering documents, which will be provided to each client for review and consideration. Unlike liquid investments that a client may own, 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.

**Unaffiliated Private Investment Fund Valuation:** In the event that Registrant references private investment funds owned by the client on any supplemental account reports prepared by Registrant, the value(s) for all private investment funds owned by the client shall reflect the most recent valuation provided by the fund sponsor. If no subsequent valuation post-purchase is provided by the Fund Sponsor, then the valuation shall reflect the initial purchase price (and/or a value as of a previous date), or the current value(s) (either the initial purchase price and/or the most recent valuation provided by the fund sponsor). If the valuation reflects 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 original purchase price. The client's advisory fee shall be based upon reflected fund value(s).

**Retirement Plan Rollovers – No Obligation / Potential for Conflict of Interest:** A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If the Registrant recommends that a client roll over their retirement plan assets into an account to be managed by the Registrant, such a recommendation creates a conflict of interest if the Registrant will earn an advisory fee on the rolled over assets. No client is under any obligation to roll over plan assets to an IRA managed by the Registrant or to engage the Registrant to monitor and/or manage the account while maintained at the client's employer. The Registrant's Chief Compliance Officer, Michael J. Noon, remains available to address any questions that a client or prospective client may have regarding its prospective engagement and the corresponding conflict of interest presented by such engagement.

**ERISA / IRC Fiduciary Acknowledgment.** If the client is: (i) a retirement plan ("Plan") organized under the Employee Retirement Income Security Act of 1974 ("ERISA"); (ii) a participant or beneficiary of a Plan subject to Title I of ERISA or described in section 4975(e)(1)(A) of the Internal Revenue Code, with authority to direct the investment of assets in his or her Plan account or to take a distribution; (iii) the beneficial owner of an Individual Retirement Account ("IRA") acting on behalf of the IRA; or (iv) a Retail Fiduciary with respect to a plan subject to Title I of ERISA or described in section 4975(e)(1)(A) of the Internal Revenue Code; then the Registrant represents that it and its representatives are fiduciaries under ERISA or the Internal Revenue Code, or both, with respect to any investment advice provided by the Registrant or its representatives or with

respect to any investment recommendations regarding an ERISA Plan or participant or beneficiary account.

**Clients Introduced by Unaffiliated Adviser:** Clients may be introduced to Registrant by unaffiliated registered investment advisers (the “Advisers”). Advisers (and their representatives) shall be exclusively responsible for: (1) assisting the client in determining the initial and ongoing suitability for Registrant’s investment portfolios and/or strategies, and ongoing communications with the client; and (2) for receiving/ascertaining the client’s directions, notices and instructions, and forwarding them to Registrant, in writing. Registrant’s obligation shall be to manage the Assets consistent with the directions received from Advisers. The client shall be responsible for communicating any such directions or instructions directly to Advisers. Registrant shall be entitled to rely upon any such direction, notice, or instruction (including any information or documentation regarding client’s investment objectives, risk tolerances and/or investment restrictions) until Registrant has been duly advised, in writing, of changes therein. Registrant shall have no responsibility to the client for the failure of Advisers to timely receive/ascertain/forward/communicate any and all such directions, notices and instructions. Registrant shall only be responsible for the assets for which it maintains investment authority.

**Use of Mutual Funds.** While the Registrant may recommend allocating investment assets to mutual funds that are not available directly to the public, the Registrant may also recommend that clients allocate investment assets to publicly-available mutual funds that the client could obtain without engaging Registrant as an investment advisor. However, if a client or prospective client determines to allocate investment assets to publicly-available mutual funds without engaging Registrant as an investment advisor, the client or prospective client would not receive the benefit of Registrant’s initial and ongoing investment advisory services.

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

**Sub-Advisory Engagements.** The Registrant may serve as a sub-advisor to unaffiliated registered investment advisors according to the terms and conditions of a written Sub-Advisory Agreement. With respect to its sub-advisory services, the unaffiliated investment advisors that engage the Registrant’s sub-advisory services maintain both the initial and ongoing day-to-day relationship with the underlying client, including initial and ongoing determination of client suitability for the Registrant’s designated investment strategies and/or programs. If the custodian/broker-dealer is determined by the unaffiliated investment adviser, Registrant will be unable to negotiate commissions and/or transaction costs, and/or seek better execution. As a result, clients 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 through alternative clearing

arrangements recommended by Registrant. Higher transaction costs adversely impact account performance.

- C. 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 any time, impose reasonable restrictions, in writing, on the Registrant's services.
- D. **Unaffiliated Wrap/Managed Account Programs:** Registrant does not offer a wrap fee program for its investment advisory services. However, Registrant is a participating investment adviser in certain unaffiliated wrap and managed account fee programs. In the event that client engages the Registrant to provide investment advisory services as part of an unaffiliated wrap-fee program (i.e. through: Morgan Stanley, Wells Fargo, UBS, etc.), Registrant will be unable to negotiate commissions and/or transaction costs. Under a wrap program, the wrap program sponsor arranges for the investor participant to receive investment advisory services, the execution of securities brokerage transactions, custody and reporting services for a single specified fee. Participation in a wrap program may cost the participant more or less than purchasing such services separately. Correspondingly, in the event that Registrant is engaged to provide investment advisory services as part of an unaffiliated managed account program, Registrant will likewise be unable to negotiate commissions and/or transaction costs. If the program is offered on a non-wrap basis, the program sponsor will determine the broker-dealer through which transactions must be effected, and the amount of transaction fees and/or commissions to be charged to the participant investor accounts. Registrant's Chief Compliance Officer, Michael J. Noon, remains available to address any questions that a client may have regarding participation in a wrap fee or managed account program.
- E. As of December 31, 2016 the Registrant had \$719,165,535 in assets under management on a discretionary basis.

## **Item 5 Fees and Compensation**

A.

### **INVESTMENT MANAGEMENT SERVICES**

The Registrant provides 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, generally between negotiable and 1.40% as follows:

<u>Market Value of Portfolio</u>	<u>Annual Fee</u>
First \$500,000	1.40%
Next \$500,000	1.00%
Over \$1,000,000	0.80%

- 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, unless the client directs otherwise or an individual client's circumstances require, the Registrant shall generally recommend that Charles Schwab & Co., an SEC-registered and FINRA/SIPC member broker-dealer/custodian ("*Schwab*") serve as the broker-dealer/custodian for client investment management assets. 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).

**Tradeaway/Prime Broker Fees.** Relative to its discretionary investment management services, when beneficial to the client, individual equity and/or fixed income transactions may be effected through broker-dealers other than the account custodian, in which event, the client generally will incur both the fee (commission, mark-up/mark-down) charged by the executing broker-dealer and a separate "tradeaway" and/or prime broker fee charged by the account custodian.

- D. Registrant's annual investment advisory fee shall be prorated and paid quarterly, in advance, based upon the market value of the assets on the last business day of the previous quarter. The Registrant generally requires a \$500,000 minimum asset level for investment management services. The Registrant, in its sole discretion, may charge a lesser investment management fee and/or waive its minimum asset requirement based upon certain criteria (i.e. historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with the 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 Registrant, nor its representatives, accept compensation from the sale of securities or other investment products.

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

Rule 205-3 of the Investment Advisers Act of 1940 permits a registered investment adviser to enter into a performance fee agreement with certain sophisticated clients who have the capacity to bear the potential additional risks of such a fee arrangement. An adviser can rely on Rule 205-3 only if the performance fee agreement is with "eligible" clients. Eligible clients are defined in the Rule as natural persons and companies that



have *either* at least \$1,000,000.00 under management with the Registrant immediately after entering into a performance fee agreement *or* a net worth at the time the agreement is entered into in excess of \$2,100,000.00 (i.e. a natural person's net worth may include assets held jointly with a spouse).

Consistent with the parameters of Rule 205-3 of the Investment Advisers Act of 1940 (to the extent Rule 205-3 is applicable), the Registrant (and/or Registrant's affiliated entities) may also receive, from its *affiliated private funds*, incentive or performance fee compensation on a fully disclosed written basis. 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, Michael J. Noon, remains available to address any questions regarding this conflict of interest.**

## **Item 7           Types of Clients**

The Registrant's clients currently generally include: individuals, high net worth individuals, pooled investment vehicles, pension and profit-sharing plans, trusts, estates, charitable organizations, investment partnerships, and business entities. The Registrant generally requires a \$500,000 minimum asset level for investment management services. The Registrant, in its sole discretion, may charge a lesser investment management fee and/or waive its minimum asset requirement based upon certain criteria (i.e. historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with the 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)
- **Options** (contract for the purchase or sale of a security at a predetermined price during a specific period of time)

**Please Note: Investment Risk.** Investing in securities involves risk of loss that clients should be prepared to bear. 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).

- B. 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.

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 the use of options transactions. Option writing involves a high level of inherent risk. (*See discussion below*).

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 their accounts

- C. Currently, the Registrant primarily allocates client investment assets among various individual equity (stocks), debt (bonds) and fixed income securities, private funds, exchange traded funds, and mutual funds, on a discretionary basis in accordance with the client's designated investment objective(s).

## **Item 9            Disciplinary Information**

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

## Item 10 Other Financial Industry Activities and Affiliations

- A. Neither Registrant, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a 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. **General Partner to Affiliated Private Funds** As discussed above, the Registrant is the General Partner of the *affiliated private funds*. The Registrant may refer certain clients to the *affiliated private funds*. No client is under any obligation to make an investment in the *affiliated private funds*. **Conflict Of Interest**. Because the Registrant earns compensation from the *affiliated private funds* (both management fees and incentive compensation) that may exceed the fee that Registrant would earn under its standard asset based fee schedule referenced in Item 5 below, the recommendation that a client become an investor in the *affiliated private funds* presents a **conflict of interest**. No client is under any obligation to become an investor in the *affiliated private funds*. **The Registrant's Chief Compliance Officer, Michael J. Noon, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

**Founders, LLC**. The Registrant is a partial owner of an affiliated entity, Founders, LLC ("Founders"), which provides administrative trust services under a white label in conjunction with "Counsel Trust Company." In some instances, Registrant may recommend that clients utilize Founders / Counsel Trust Company for trust and administrative trust services in exchange for certain fees. Therefore, the recommendation that a client utilize Founders / Counsel Trust Company's services presents a **material conflict of interest** because the Registrant and/or its related persons may indirectly benefit from the payment of these fees to Founders / Counsel Trust Company. This indirect benefit may provide an incentive to recommend Founders / Counsel Trust Company based on economic benefits, rather than on a particular client's need. No client is under any obligation to engage Founders or Counsel Trust Company to provide such services. Clients are reminded that they may engage other, non-affiliated trust company or administrative trust service providers. **The Registrant's Chief Compliance Officer, Michael J. Noon, 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 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 has a financial interest in the *affiliated private funds*. The Registrant, on a non-discretionary basis, may recommend that qualified clients consider allocating a portion of their investment assets to the *affiliated private funds*. The terms and conditions for participation in the *affiliated private funds*, including management and incentive fees, conflicts of interest, and risk factors, are set forth in the fund's offering documents. Registrant's clients are under absolutely no obligation to consider or make an investment in a private investment fund(s). The Registrant's Chief Compliance Officer, Michael J. Noon, 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.
- 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 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 "Access Persons". The Registrant's securities transaction policy requires that an Access 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 Access Person. Access Persons must also provide quarterly transaction reports detailing the purchase or sale of all reportable securities during the previous quarter. Also, at least once every twelve (12) months period, 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; 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 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 Access Persons.

## Item 12 Brokerage Practices

- A. In the event that the client requests that the Registrant recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct the Registrant to use a specific broker-dealer/custodian), Registrant generally recommends that investment management accounts be maintained at *Schwab*. 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 *Schwab* (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 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/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 *Schwab*, 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 (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.

Registrant has entered into a soft dollar arrangement with *Schwab* pursuant to which it receives an annual fixed dollar amount (equal to \$45,000 in 2017) to obtain eligible investment research and/or brokerage products or services. Eligible soft dollar investment research and/or brokerage 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, statistical and pricing services, and certain services and software related to the execution, clearing and settlement of securities transactions. Although the commissions paid by Registrant's clients shall comply with 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 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 and/or brokerage 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 and/or brokerage products or services that are not used in managing that specific client's account. With respect to investment research and/or brokerage products or services obtained by Registrant that have a mixed use of both a soft dollar-eligible and non-eligible (i.e., administrative, etc.) functions, 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 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 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. **Registrant's Chief Compliance Officer, Michael J. Noon, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding conflict of interest such arrangement may create.**

#### Non-Soft Dollar 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, investment platform, unaffiliated investment manager, and/or product/fund sponsor) 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 travel and 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.

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 result of the above arrangement.

### Schwab Advisor Services

Schwab Advisor Services (formerly called Schwab Institutional) is *Schwab's* business serving independent investment advisory firms like Registrant. Schwab Advisor Services provides Registrant and its clients with access to its institutional brokerage –trading, custody, reporting and related services – many of which are not typically available to *Schwab* retail customers. *Schwab* also makes available various support services and additional economic benefits (“Additional Benefits”). Some of those support services and Additional Benefits help Registrant manage or administer its clients’ accounts while others help Registrant manage and grow its business. As part of the Additional Benefits, *Schwab* may also provide monetary assistance to Registrant or to third parties on Registrant’s behalf to defray certain costs towards certain technology, compliance, legal, business consulting and other related expenses. *Schwab's* support services are generally available on an unsolicited basis (Registrant does not have to request them) and at no charge to Registrant. The availability of these services from *Schwab* benefits Registrant because Registrant does not have to produce or purchase them. Registrant is not required to pay for *Schwab's* services. The Registrant has no expectation that these Additional Benefits will be offered again; however, the Registrant reserves the right to negotiate for these Additional Benefits in the future. *Schwab* provides the Additional Benefits to Registrant in its sole discretion and at its own expense, and neither the Registrant nor its clients pay any fees to *Schwab* for the Additional Benefits. A more detailed description of *Schwab's* Additional Benefits follows.

### Services that Benefit the Client

*Schwab's* institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through *Schwab* include some to which Registrant might not otherwise have access or that would require a significantly higher minimum initial investment by Registrant’s clients. *Schwab's* services described in this paragraph generally benefit Registrant’s clients and their accounts.

### Services that May Not Directly Benefit the Client

*Schwab* also makes available to Registrant other products and services that benefit Registrant but may not directly benefit Registrant’s clients or their accounts. These products and services assist Registrant in managing and administering its clients’ accounts. They include investment research, both *Schwab's* own and that of third parties. Registrant may use this research to service all or some substantial number of its clients’ accounts, including accounts not maintained at *Schwab*.

In addition to investment research, *Schwab* also makes available software and other technology that:

- provide access to client account data (such as duplicate trade confirmations and account statements);
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- provide pricing and other market data;
- facilitate payment of Registrant’s fees from Registrant’s clients’ accounts; and
- assist with back-office functions, recordkeeping and client reporting.

#### Services that Generally Benefit Only Registrant

*Schwab* also offers other services intended to help Registrant manage and further develop its business enterprise. These services include:

- educational conferences and events
- technology, compliance, legal, and business consulting;
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants and insurance providers.

*Schwab* may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to Registrant. *Schwab* may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. *Schwab* may also provide Registrant with other benefits such as occasional business entertainment of its personnel.

#### Additional Benefits Currently Received

Registrant receives certain Additional Benefits that may or may not be offered to the Registrant again in the future. At the present time, the Additional Benefits include the following:

- a \$10,000 discount from *Schwab* toward the cost of *Schwab*'s PortfolioCenter® software for the benefit of the Registrant, that Registrant uses to help effectively manage its clients' accounts; and
- annual payments of up to \$25,000 each, towards technology, research, and marketing related expenses, for a period of two years.

**Registrant's receipt of two annual payments of up to \$25,000 each over the course of two years from *Schwab* is based on (though is not expressly contingent upon) the expectation that Registrant will have an additional \$95 million in end client statement equity in *Schwab* client accounts within one year, and maintain a stable level of assets over a period of two years.** Accordingly, the recommendation by Registrant or its representatives that a client select *Schwab* as designated broker-dealer/custodian for their accounts or transfer their account assets from another broker-dealer/custodian to *Schwab* presents a **conflict of interest**, because Registrant has the incentive to make such a recommendation based on its interest in receiving the Additional Benefits to benefit its business interests, rather than based on clients' interest in receiving the best value in custody services and the most favorable execution of transactions.

To mitigate this **conflict of interest**, Registrant will only recommend that a client select *Schwab* as broker-dealer/custodian if it reasonably believes that the arrangement is in the best interests of its clients based upon the factors discussed throughout this Item 12. Further, because the Additional Benefits are generally provided on an unsolicited basis and at no charge to Registrant, Registrant does not believe that this conflict of interest is material. **Registrant's Chief Compliance Officer, Michael J. Noon, remains available to address any questions that a client or prospective client may have regarding this conflict of interest.**

2. The Registrant does not receive referrals from broker-dealers.



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, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. **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. Higher transaction costs adversely impact account performance. **Please Also Note:** Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

**The Registrant’s Chief Compliance Officer, Michael J. Noon, 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. **Registrant’s Chief Compliance Officer, Michael J. Noon, remains available to address any questions that a client or prospective client may have regarding the above arrangements and any corresponding perceived conflict of interest such arrangements may create.**

## **Item 13      Review of Accounts**

- A. Account reviews are conducted on an ongoing basis by the Registrant’s 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 receives economic benefits from *Schwab* including gratis or discounted support services and products. 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 result of the above arrangement.

**The Registrant's Chief Compliance Officer, Michael J. Noon, 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. The Registrant does not currently maintain any active solicitor arrangements. However, the Registrant continues to compensate prior solicitors for legacy referrals.

#### **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.

The Registrant discloses at Item 9 of ADV Part 1 that it has custody as a result of its relationship to the *affiliated private funds*. The *affiliated private funds* are audited by an independent CPA annually and copies of the audited financials are made available to the limited partners. **The Registrant's Chief Compliance Officer, Michael J. Noon, remains available to address any questions that a client or prospective client may have about 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 *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 within the discretionary account.

Clients who engage the Registrant on a discretionary basis may, at any time, 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**

Unless a client directs otherwise in writing, Registrant, in conjunction with the proxy voting and due diligence services provided by Broadridge Financial Solutions, Inc., or its successors or assigns, shall be responsible for directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted. Registrant and/or the client shall correspondingly instruct each custodian of the assets to forward to Registrant copies of all proxies and shareholder communications relating to the assets. Registrant, in conjunction with the services provided by Broadridge Financial Solutions, Inc., shall monitor corporate actions of individual issuers and investment companies consistent with Registrant's fiduciary duty to vote proxies in the best interests of its clients. With respect to individual issuers, Registrant may be solicited to vote on matters including corporate governance, adoption or amendments to compensation plans (including stock options), and matters involving social issues and corporate responsibility. With respect to investment companies (e.g., mutual funds), Registrant may be solicited to vote on matters including the approval of advisory contracts, distribution plans, and mergers. Registrant shall maintain records pertaining to proxy voting as required pursuant to Rule 204-2(c)(2) under the Advisers Act. Copies of Rules 206(4)-6 and 204-2(c)(2) are available upon written request. In addition, information pertaining to how Registrant voted on any specific proxy issue is also available upon written request.

## **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 authority over client accounts.
- C. The Registrant has not been the subject of a bankruptcy petition.

**ANY QUESTIONS: The Registrant's Chief Compliance Officer, Michael J. Noon, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**