

Item 1 – Cover Page

Northeast Asset Management LLC

333 Earle Ovington Blvd.

Suite 706

Mitchel Field, New York 11553

Website- N/A

Date of this Brochure: March 29, 2018

This Brochure provides information about the qualifications and business practices of NORTHEAST ASSET MANAGEMENT LLC (the “Adviser”). If you have any questions about the contents of this Brochure, please contact Gene Stice at (516) 396-1610 or [gstice@nesec.com](mailto:gstice@nesec.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.

NORTHEAST ASSET MANAGEMENT LLC is a registered investment adviser. Registration of an Investment Adviser does not imply certain levels of skill or training. This Brochure does not constitute an offer to sell or the solicitation of any offer to purchase any securities of any entities described herein.

Additional information about NORTHEAST ASSET MANAGEMENT LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

Set forth below is a summary of the material changes that have been made to the Brochure dated March 29, 2017:

**Item 4A:** Updated information regarding the Adviser's form of organization and indirect ownership. The Adviser's parent company, Northeast Securities, Inc., was acquired on or about January 16, 2017 by GIS-NE, LLC (now known as Insigneo Financial Services, LLC). As a result, Northeast Securities and its subsidiaries were converted to limited liability companies in December 2017 with associated name changes to Northeast Securities LLC and Northeast Asset Management LLC.

In connection with the acquisition, Stephen Perrone has stepped down as Chairman of the Adviser and Diane Hawkins is no longer the Adviser's Chief Compliance Officer. Paul Duffy was appointed the Adviser's President and Gene Stice was appointed as the Adviser's Chief Operating Officer and Chief Compliance Officer.

**Item 4E:** On or about August 1, 2017, substantially all of the non-US based clients of the Adviser were transferred to an affiliate. As a result, there was a significant decline in assets under management for the year ended December 31, 2017. Updated information regarding the Adviser's assets under management is provided.

In the future, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting the Adviser's Chief Compliance Officer, Gene Stice at (516) 396-1610 or by email at [gstice@nesec.com](mailto:gstice@nesec.com).

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## Item 4 – Advisory Business

**A. General Description of Advisory Firm** – Northeast Asset Management LLC (the “Adviser”) is a Delaware limited liability company with its principal place of business in Mitchel Field, New York. The Adviser was formed in December 2017 as the result of an acquisition of the Adviser’s parent company in January 2017. The Adviser assumed the business of Northeast Asset Management, Inc., a New York corporation that was founded in 1990. The Adviser provides both discretionary and non-discretionary portfolio management and investment advisory services to clients through its investment adviser representatives (“IARs”).

The Adviser is a wholly-owned subsidiary of Northeast Securities LLC (“NES”), a FINRA-member broker-dealer. In January 2017, NES was acquired by GIS-NE, LLC (now known as Insigneo Financial Services, LLC), which is the sole owner. Paul Duffy is the President of the Adviser and NES. Gene Stice is the Chief Operating Officer and Chief Compliance Officer of the Adviser and NES.

IARs are either employees of the Adviser or are independent contractors to the Adviser. As described more fully herein, IARs primarily utilize NES to effect client transactions.

**B. Description of Advisory Services** – As noted above, the Adviser provides both discretionary and non-discretionary portfolio management to clients through its IARs. Types of investment advice given to clients vary according to the desires of the client, but may include:

- origination of investment ideas;
- buy/sell recommendations for a broad range of securities (including debt, equity, derivative, municipal securities, mutual funds, commercial paper, certificate of deposit, private placements and annuities);
- portfolio management of the client’s entire portfolio, including selection of securities;
- recommendations of unaffiliated third-party advisers (“TPA’s”), including TPA wrap-fee programs. To the extent that TPA’s accept investment direction from the Adviser, the Adviser will assist in the management of those TPA investments, including allocation, reallocation and redemption. To the extent that the TPA’s operate independently of the Adviser on a discretionary basis, the Adviser will not be involved in the investment selection process; and
- financial planning advice, including tax planning, and estate planning with the assistance of qualified accountants and/or attorneys.

Please note that IARs that provide insurance planning and brokerage services do not do so through the Adviser or any of its affiliates.

**C. Availability of Tailored Services for Individual Clients** – The Adviser tailors its advisory services to the individual needs of its clients. Clients may impose restrictions on the types of securities they wish to include in their portfolio. Accounts may be managed on a “discretionary” or “non-discretionary” basis, depending on the client’s direction.

Discretionary accounts are actively managed on behalf of the clients by each IAR in accordance with their investment goals. For non-discretionary accounts, the IAR will provide investment opportunity ideas to the client for their approval.

- D. Wrap Fee Programs** – The Adviser, acting as “sponsor”, may offer its clients the ability to invest in wrap-fee programs through TPA’s. The Adviser performs due diligence on the TPA’s before recommending their services to our clients. TPA’s include, but are not limited to, companies such as Lockwood Advisors, Inc. (“Lockwood”) and Envestnet Asset Management, Inc. (“Envestnet”), both of whom act as a third-party vendor to the Adviser for its Wrap Fee Program, but do not act as sponsor, investment advisor or fiduciary to clients.

Clients may access the ADV Forms of Lockwood, Envestnet and any advisory firm on the SEC website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

- E. Client Assets Under Management** - As of December 31, 2017 the amount of regulatory assets under management that the Adviser managed was approximately \$128,767,250.

## **Item 5 – Fees and Compensation**

- A. Advisory Fees and Compensation** – The Adviser charges a management fee, as described below, for its advisory services. Compensation for the advisory services provided may be in the form of “commission per transaction fee” or “asset-based fee”, as described below.

“**Commission Per Transaction Fees**” are determined based on the number of shares traded, or a percentage of the dollar amount of the trade, in either case as determined by agreement of the IAR and the customer.

“**Asset-Based Fees**” are payable either in arrears or in advance on a quarterly basis and, unless negotiated otherwise, are based on the following fee schedule for different levels of transactions during the prior quarter:

First \$100,000 - 2.50%
\$100,001 to \$250,000 - 2.00%
\$250,001 to \$500,000 - 1.50%
\$500,001 to \$1,000,000 - 1.25%
Assets over \$1,000,000 - 1.00%

When asset-based fees are payable in arrears, they will be computed on the value of the account on the last day of the prior quarter. The fee is prorated for a partial quarter. The fees will be debited from the client account by the Adviser unless otherwise agreed upon.

In most cases, asset-based fees are payable in advance, based on the value of the account on the last day of the prior quarter. This fee may be calculated by electronic platforms supplied by the clearing agent based upon a method of valuing account assets during the prior quarter

(i.e. time and dollar weighting). These systems are also programmed to prorate fees for a partial quarter and to make adjustments as needed. The fees will be debited from the client account by the Adviser unless otherwise agreed upon. Should the agreement be terminated during the quarter, fees will be prorated and any unearned fees will be returned to the client.

The foregoing represents the asset-based management fees that the Adviser generally charges. However, these fees are negotiable and arrangements with any particular client may differ from those described above.

Each management fee is negotiated by the IAR on a client-by-client basis. Client circumstances and needs determine the fee schedule. Factors include, but are not limited to, the complexity of the client's account, amount and type of assets to be placed under management, portfolio style, and fees charged by the introducing or clearing broker-dealer that maintains the advisory account. The specific annual fee schedule will be identified in the investment advisory contract between the Adviser and each client (the "IA Contract"). The annual fee schedule described above applies to all products held in a client account, except Lockwood program assets, which are subject to the fee schedule described below.

**Lockwood Wrap Fee Program:** Clients participating in the Lockwood wrap fee program will maintain a separate billing set forth below:

<b>Account Value</b>	<b>Equity &amp; Balanced</b>	<b>Fixed Income</b>
First \$500,000	3.00%	1.75%
Next \$500,000	2.75%	1.50%
Next \$1,000,000	2.25	1.25%
Over \$2,000,000	Negotiable	Negotiable

*All fees are annualized. If no contract fee is indicated, the standard fee applies. The minimum quarterly fee is \$500.00*

In evaluating a wrap fee program, clients should understand that the services provided may be obtained individually at fees that may be lower (or higher) than those indicated.

**Financial Planning Fees** are calculated based upon the extent and complexity of the individual client's personal circumstances. Fees for financial planning services typically range from \$300 to \$1,500. All fees are agreed upon prior to entering into the financial planning agreement with the client. Financial planning fees are due and payable upon completion of the contracted services. In limited circumstances, NAM may require a minimum fee as low as \$100. Financial planning fees are negotiable and arrangements with any particular client may differ from those described above.

**B. Payment of Fees** – As described in Item 5A above, management fees charged are deducted from the client accounts by the Adviser. Commission per transaction fees are payable at the time of the transaction, while asset-based fees are payable in advance or in arrears for the

prior quarter, depending on the management fee schedule agreed to by the client with IAR. Management fees are prorated for partial quarters.

Clients receive a regular monthly statement from the qualified custodian which shows the management fees that they have been charged.

Financial planning fee are payable upon entering into a financial planning agreement (prior to services being performed). Clients are billed for these services.

**C. Other Fees and Expenses** - In addition to the management fee described above, clients are responsible for the fees and expenses charged by broker-dealers (such as NES) and custodians related to transactions in, and maintenance of, their accounts. Such fees may include, but are not limited to, any transaction charges (as described below), fees for duplicate statements and transaction confirmations, and fees for electronic data feeds and reports. Item 12 further describes the factors that the Adviser considers in selecting or recommending broker-dealers for transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

There is an additional service charge per transaction for all transactions in all accounts which ranges from \$6.95 per transaction to \$25 per transaction. Other fees (such as fees for duplicate statements, transaction confirms, electronic data feeds, etc) may also apply.

Fixed income trades for accounts are executed on a “riskless principal” basis with the broker-dealer that maintains the account. These trades are considered to be “principal trades” which generate a markup/markdown (equivalent to a commission) for the broker-dealer. Neither the Adviser nor the IAR receives any portion of this compensation.

Clients may incur margin loan interest if they maintain a margin account or non-purpose loan account.

Clients are subject to any fees charged by TPAs, including wrap-fee program participation charges.

In addition, when clients invest in funds or pooled investment vehicles such as (but not limited to): hedge funds, real estate funds, oil and gas funds, ETF’s and mutual funds, clients will pay the fees charged by those entities, in addition to the management fee charged by the Adviser. These fees will be specifically described in the offering documents or prospectus and may include a management fee, incentive or performance fee, other fund expenses and/or a 12b1 distribution fee. Clients are subject to the foregoing fees and expenses regardless of whether any profit is made on investments.

**D. Prepayment of Fees** – As noted in Item 5(B) above, some clients who are charged an asset-based fee will pay their fee in advance of a quarter (as opposed to in arrears). All fee schedules are set forth in the IA Contract.

Once charged to a client's account, there is no refund of any of the fees and expenses that have been charged (except as specified in the IA Contract), regardless of the type of management fee being charged (i.e., commission per transaction management fee or asset-based management fee). If a client terminates an IA Contract in the midst of a quarter, the management fee paid to Adviser will be pro-rated and the unearned portion will be returned to the client.

#### **E. Additional Compensation and Conflicts of Interest**

1. Many of the Adviser's IARs are also registered representatives of NES. IARs generally recommend, but are not required to recommend, NES to clients in need of brokerage services. NES does not compensate IARs for referring clients to conduct business through it. IARs will however, receive separate compensation as a registered representative of the broker-dealer for these transactions executed in an account recommended to the broker-dealer.

IARs primarily recommend no-load mutual funds in their advisory accounts but are not required to do so. When investment circumstances dictate, advisers may recommend loan funds. IARs will not receive compensation related to the purchase or sale of load mutual funds, however they may receive on-going service fees referred to as 12b1 fees. This compensation is in addition to the management fee charged by the Adviser.

IARs may occasionally recommend or select other investment advisers if the IAR believes it is in the best interest of the client and with the agreement of the client. Some of these non-affiliated investment advisers will pay a fee or commission as compensation for referrals. These practices may present a conflict of interest and may give the Adviser and the IARs an incentive to recommend investment products based on the compensation received, rather than on a client's needs. The Adviser's compliance department monitors compensation practices to ensure that IARs place the interests of the clients above their own.

2. While the Adviser has a fiduciary duty to achieve best execution for client transactions, there is no way to assure the client that the price the client receives is better than every other market price. Clients should be aware that they have the option to purchase investment products that are recommended by their IAR through other brokers or agents that are not affiliated with the Adviser.

3. The Adviser does not generate more than 50% of its revenue from commissions and other compensation paid for the sale of investment products.

4. In extraordinary circumstances, the Adviser may reduce the management fees charged to clients to offset commissions or markups charged by third parties.

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

The Adviser does not charge performance-based fees (fees based on a share of capital gains on, or capital appreciation of, the assets of a client).



## Item 7 – Types of Clients

The Adviser provides investment advice to all types of clients. Individual, corporate, trust, foundation, partnership and pension are examples of the types of clients advised.

As mentioned above, IARs tailor their advice to each client's circumstances and needs. Certain investment products require that a client possess certain net worth or other qualifications, such as being an "accredited investor" or "qualified client". Not all clients will meet such qualifications.

There is no minimum account size to enter into an IA Contract or to obtain financial planning advice.

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

### A. Methods of Analysis and Investment Strategies.

The IAR utilizes a variety of methods and strategies in advising each client. The IAR initially develops a client's personal investment policy and will advise the client based on that policy. Account supervision is guided by the stated objectives of the client (e.g., growth, income, or growth and income).

Regardless of whether an account is managed on a discretionary or non-discretionary basis, the Adviser will generally aim to create a client portfolio consisting of one or all of the following: individual equities, bonds, options, mutual funds, ETFs, closed-end funds or any other security type deemed to be appropriate for a client. The mutual funds, ETFs and closed-end funds generally will be selected on the basis of a variety of criteria, including: the fund's performance history; the industry sector in which the fund invests; the track record of the fund's manager; the fund's investment objectives; the fund's management style and philosophy; and the fund's management fee structure.

When appropriate to the needs of the client, the IAR may recommend the following techniques: short-term trading of securities (securities bought and sold within 30 days), short sales, margin transactions or option writing. Because these investment strategies involve certain additional degrees of risk, they will only be recommended when consistent with the client's stated tolerance for risk, financial and tax status, and overall investment objectives.

The personal investment policy of each client determines how assets are allocated and the portfolio weighting between securities and market sectors. For discretionary accounts, clients can place reasonable restrictions on the types of investments which will be made on their behalf.

***Investing in securities involves risk of loss that clients should be prepared to bear.***

## **B, C. Material Risks of the Adviser's Investment Strategies, Methods of Analysis and Types of Securities.**

Investments contained in client portfolios are subject to a number of material risks. These can be generally categorized as:

1. *Illiquidity risk*; lack of a market for a particular investment may result in a client not being able to sell an investment at the time that they wish to do so.
2. *Changes in legal, fiscal, and regulatory regimes*; such changes in both the US and abroad can adversely the value of a particular investment.
3. *Nature of a particular investment*; each investment carries individualized risks that clients should evaluate prior to investing and during the entire course of the investment. Certain investments and techniques (such as short selling, use of leverage, margin, option or derivatives trading) are more risky than others.
4. *Dependence on the advice provided by the IAR*; there is no guarantee that the IAR will provide advice that results in successful performance of an investment. Past performance is not indicative of future returns.
5. *Portfolio concentration*; portfolios that are more concentrated in a specific securities or particular sector carry higher risk.
6. *Counterparty risk*; certain transactions carry counterparty credit risk that should be evaluated at the time of the transaction.
7. *Investment environment and market risk*; the macro environment for investing and a market's general direction may negatively impact specific investments despite underlying strength in a particular company.
8. *Market volatility risks*; investments may be adversely affected by volatile markets.
9. *Equity-specific risks*: Individual equity positions and equity funds are subject generally to market, market sector, market liquidity, issuer and investment style risks, among other factors, to varying degrees.
10. *Bond-specific risks*: Individual bond positions and bond funds are subject generally to interest rate, credit, liquidity, prepayment and extension, derivative and market risks, to varying degrees. Generally, all other factors being equal, bond prices are inversely related to interest-rate changes and rate increases can cause price declines.
11. *Third Party Adviser risk*: the Adviser has no control over TPA's and thus clients whose assets are managed by a TPA are subject to risks associated with the relevant TPA organization in addition to other risks described herein.

Clients should review carefully all offering materials, prospectuses and other investment disclosure documents prior to investing. Clients should additionally review all transaction confirmations, monthly and year-end statements and bring any discrepancies immediately to the attention of the Compliance Department.

## **Item 9 – Disciplinary Information**

In May 2009, the Adviser was found to have been in violation of Florida statute for failing to have a branch office located in Florida properly registered in the state. The Adviser was censured and fined \$5,000. The branch was properly registered after the deficiency was discovered and was subsequently closed as a result of the acquisition by Insigneo Financial Services, LLC.

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

- A.** The Adviser is not a broker-dealer and does not have an application pending to register as a broker-dealer. However, the Adviser is a wholly-owned subsidiary of NES, a registered broker-dealer. Some of the management persons of the Adviser are also registered representatives of NES. Most IARs are registered representatives of NES.
- B.** Neither the Adviser nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator or a commodity trading advisor.
- C.** IARs primarily utilize NES to effect client transactions. The Adviser does not believe that this relationship represents a material conflict of interest, however please see Item 5(E) regarding payment of certain fees to IARs by NES and the conflict which that may represent. Overall, however, IARs must seek to achieve best execution for clients as a paramount principle and believes that utilization of NES meets this standard. (See Item 12 for further discussion about best execution.)

The clearing firm shares with NES many of the other fees referenced in Item 5(C), including, but not limited to, margin loan interest and service charges. This presents a conflict of interest because of the Adviser's relationship to NES, however the Adviser does not believe this is a material conflict of interest which adversely affects clients.

NES is also the owner of Benchmark Capital Advisors LLC ("Benchmark"), a registered investment adviser. The Adviser does not believe that this company presents a conflict of interest to it as it does not conduct material business with Benchmark and does not typically recommend the services of Benchmark to its clients.

- D.** Additionally, NES or its affiliates may sponsor or advise private investment funds. However, these funds are not recommended as investments to clients of the Adviser. The Adviser's Compliance Department monitors all the businesses conducted by NES-related companies to assess whether a material conflict of interest has arisen and how that conflict will be addressed. IARs may occasionally recommend or select other investment advisers (TPA's) for clients that are not related persons of the Adviser if the IAR believes it is in the best interest of the client. As described in Item 14A, this practice may create a conflict of interest for the Adviser and/or an IAR because some non-affiliated investment advisers will pay a fee or commission as compensation for referrals. The Adviser keeps records of all payments to monitor any situation where it believes an IAR is acting outside of his/her fiduciary duty.

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

- A. Code of Ethics** - The Adviser has adopted a Compliance Manual, including a Code of Ethics, which sets forth ethical standards of business conduct that the Adviser requires of its employees, including compliance with applicable federal and state securities laws. The Code of Ethics stresses that no person employed by the Adviser shall give preference to his/her own interests over those of advisory clients and prohibits the use of material non-public information. The Adviser requires that all associated persons with access to clients' investment accounts provide a record of their personal account securities holdings on an annual basis and a report of all transactions on a quarterly basis as required by SEC regulations. These reports will be reviewed on a regular basis by the Adviser's Chief Compliance Officer (or his/her designee). All supervised persons at the Adviser must acknowledge the terms of the Compliance Manual, including the Code of Ethics, annually. The Adviser's Compliance Manual provides for sanctions when appropriate.

Clients and prospective clients may obtain a copy of the Compliance Manual, including the Code of Ethics upon request by contacting the Adviser's Chief Compliance Officer at the Adviser's principal office address.

- B. Transactions in Securities where Adviser has a Material Financial Interest** – As previously described in this Brochure, the Adviser's parent, NES, is a registered broker-dealer that IARs primarily utilize to execute client transactions. Specifically, NES may undertake riskless principal transactions in connection with fixed income trading, meaning that it buys securities from (or sells securities to) clients through a principal trading account but NES does not hold them as inventory. In addition, agency cross transactions are permitted between advisory clients (through NES) in connection with trading of equities and other securities, however these will only be undertaken in compliance with applicable regulations. In addition, from time to time, related persons of the Adviser may hold board positions or a material financial interest in companies whose securities are also recommended to clients.

While the Adviser and its IARs will keep their client's interests as paramount at all times pursuant to the fiduciary duty that is owed to clients, the situations described above may present a conflict of interest. The Adviser's Chief Compliance Officer and his/her designees monitor all such conflicts.

**C., D. Investing in Securities Recommended to Clients; Contemporaneous Trading.**

Neither the Adviser nor NES maintain proprietary inventory or investment accounts and therefore would not invest in the same (or related) securities that are held by our clients.

IARs may buy or sell for their personal accounts the same (or related) securities that are also recommended to clients. In addition, the Adviser's related persons may trade in the same (or related) securities that are also recommended to clients. Such trading may be

contemporaneous with client recommendations or may be at a different time. In either case, this presents a conflict of interest both to the Adviser and the IARs because the fiduciary duty to clients must supersede the IAR's or Adviser's own interests.

As mentioned above in section A of this Item, the Adviser's Code of Ethics provides for monitoring of IAR personal account positions. The personal account reports are monitored for front-running, insider trading and market manipulation. In addition, the Adviser's Chief Compliance Officer or his/her designees, monitor trading by related persons for similar issues.

The Code of Ethics is designed to ensure that the personal securities transactions, activities and interests of the employees of the Adviser will not interfere with making decisions in the best interest of clients while at the same time allowing the IARs to invest for their own accounts.

## **Item 12 – Brokerage Practices**

**A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions** – IARs select a broker-dealer to effect client transactions and seek to achieve best execution for these transactions. In most cases, IARs select NES, an affiliate of the Adviser. IARs will evaluate a number of factors in making a determination about how to execute a particular transaction, including:

- the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any);
- the operational efficiency with which transactions are effected and the efficiency of error resolution taking into account the size of order and difficulty of execution;
- the financial strength, integrity and stability of the broker;
- special execution capabilities;
- clearance and settlement capabilities;
- block trading capabilities;
- ability to execute related or unrelated difficult transactions in the future;
- order of call;
- on-line access to computerized data regarding clients' accounts;
- performance measurement data;
- the quality, comprehensiveness and frequency of available research and related services considered to be of value;
- the availability to borrow stocks to effect short sales and the competitiveness of commission rates in comparison with other brokers satisfying the Adviser's other selection criteria.

*While the price of a commission is a factor that an IAR may consider, clients do not necessarily always pay the lowest commission price available for each trade.* As noted above, IARs primarily utilize the Adviser's affiliate, NES, to effect client transactions. NES is an introducing broker that clears its securities transactions through Pershing LLC (a subsidiary of

The Bank of New York Mellon Corporation). Pershing LLC is a FINRA/SIPC member firm that is unrelated to the Adviser.

***Any trade discrepancies must be brought to the attention of the Compliance Department of the Adviser within seven days of the trade date or it will be presumed that all of the information on the confirmation is correct and that the client has approved the trade.***

**A.1. Research and Other Soft Dollar Benefits** -The Adviser does not participate in soft dollars arrangements.

**A.2. Brokerage for Client Referrals** - The Adviser does not direct any of its brokerage business to brokers who refer prospective investors to it.

**A.3. Directed Brokerage** – From time to time, clients may instruct the Adviser to execute some of their securities transactions through a particular broker-dealer (“directed brokerage”). In the event that a client directs brokerage, the Adviser may not have the authority to negotiate commissions, obtain volume discounts, and best execution may not be achieved. Directing brokerage may cost clients more money. For example, in a directed brokerage account, the client may pay higher brokerage commissions because the Adviser may not be able to aggregate orders to reduce transaction costs, or the client may receive less favorable prices. In addition, a disparity in commission charges may exist between the commissions charged to the client and those charged to other clients.

Although the Adviser does require that a client execute transactions through NES, since most IARs are separately registered as representatives of NES, such an arrangement may aid in controlling costs to the client. In addition, the Adviser reserves the right to decline a directed brokerage account if the Adviser believes that this choice would hinder its fiduciary duty to the client and/or its ability to service the account.

**B. Order Aggregation** - IARs make decisions regarding trading for clients independently of one another. If an IAR determines to buy or sell the same security on behalf of more than one client, the IAR may, but shall be under no obligation to, aggregate (to the extent permitted by applicable law and regulations) the securities to be purchased or sold in order to seek more favorable prices, lower brokerage commissions or obtain a more efficient execution. In such cases, the Adviser’s will notify the executing broker to aggregate orders on behalf of all such clients in order to ensure fairness for all clients. Clients participating in aggregated trades will be allocated securities based on the average price achieved for such trades.

Each IAR is responsible for the allocation of investment opportunities amongst his/her clients; opportunities are not allocated by the Adviser across all clients of all IARs. An IAR may at times determine that certain investments will be suitable for acquisition or disposition by two or more clients at the same time. While it may be the case that an investment may be suitable for more than one client of an IAR, it is not possible that every suitable investment is made available to every client at all times. Rather, investments are allocated to clients based on a number of factors that are evaluated by the IAR, such as: liquidity and cash availability in a client account, the client’s investment objectives and guidelines, and timing considerations.

When an IAR has determined that two or more clients will participate in a particular investment but that less than the maximum desired number of shares of that security are available at a favorable price, the shares purchased will be allocated **pro rata** amongst all participating clients in an equitable manner as determined by the IAR. Any other method of distribution (such as alphabetically or on a rotation basis) must first be approved by the Chief Compliance Officer.

### **Item 13 – Review of Accounts**

- A. Frequency and Nature of Review** - Accounts are reviewed at least quarterly by the IAR. Exceptions identified in the course of periodic reviews performed by the compliance department are resolved by the Chief Compliance Officer or his/her designee. Accounts are reviewed quarterly in the context of each client's stated investment objectives and guidelines.
- B. Factors Prompting a Non-Periodic Review of Accounts** - More frequent reviews by the IAR and/or the Compliance Department may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.
- C. Content and Frequency of Regular Account Reports** – Clients receive quarterly client statements from the qualified custodian that is maintaining their securities. Monthly statements will be issued if an account has activity during the prior month. Trade confirmations are issued by the qualified custodian as transactions are executed.

All reports described above are written (although some may be delivered electronically).

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

- A. Economic Benefits Received from Non-Clients for Providing Services to Clients** - The Adviser has several arrangements whereby a party who is not a client compensates or otherwise provides an economic benefit to the Adviser for providing services to clients. These arrangements are summarized below:
  - 1. IARs may, from time to time, receive 12b-1 distribution fees from mutual funds or other investment companies in connection with the placement of client funds into such investment companies. While the Adviser and IARs must always consider the interests of clients above their own interests, the potential receipt of this compensation presents a conflict of interest and may affect the Adviser and/or IAR's judgment in recommending investments to clients.
  - 2. The Adviser has entered into Selling Agreements with other third party advisers (TPA's) whereby the Adviser will provide solicitation services on behalf of these other advisers. These other advisers provide portfolio management services on behalf of clients. Solicitation fees are paid to the Adviser in compliance with Rule 206(4)-3 including appropriate disclosure to clients.

- B. Compensation to Non-Supervised Persons for Client Referrals** – The Adviser has no arrangements with placement agents or solicitors providing for a payment by the Adviser in exchange for client referrals.

### **Item 15 – Custody**

Client assets held through NES are maintained at Pershing LLC, which is a “qualified custodian”. Client assets may be held at another qualified custodian at the client’s request. Client confirmations and statements will be sent to the clients directly from their qualified custodian. For client assets managed by a TPA, such assets will be held by the TPA.

### **Item 16 – Investment Discretion**

The Adviser provides investment advisory services on a discretionary basis to some clients. Clients who elect to have their accounts managed on a discretionary basis must execute an IA Contract that gives the Adviser authority to determine: (1) the securities that are bought or sold; (2) the amounts of securities that are bought or sold; (3) the broker-dealer to be used for client transactions; and (4) the commission costs that will be charged for these transactions. Any limitations on this discretionary authority must be included in the IA Contract. Clients may change/amend these limitations at any time by executed a written amendment to the IA Contract.

Some clients do not elect to have their accounts managed on a discretionary basis. This choice must be reflected in their executed IA Contract.

### **Item 17 – Voting Client Securities**

The Adviser and its IARs do not vote proxies on behalf of clients. Clients retain the responsibility for receiving and voting proxies for all securities maintained in their portfolios.

### **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about the Adviser’s financial condition. The Adviser has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.