

# **Samalin Investment Counsel, LLC**

**297 King Street  
Chappaqua, New York 10514**

**Telephone: 914-666-6600  
Facsimile: 914-666-6602**

**Website: [www.SICounsel.com](http://www.SICounsel.com)**

**March 13, 2019**

## **Form ADV Part 2A Disclosure Brochure**

This brochure provides information about the qualifications and business practices of Samalin Investment Counsel, LLC. If you have any questions about the contents of this brochure, contact us at 914-666-6600. 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 Samalin Investment Counsel, LLC (CRD No. 142214) is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Samalin Investment Counsel, LLC is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

## Item 2 Material Changes

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

This brochure contains the following material changes from the immediately prior version dated March 12, 2018:

1. **Item 5, Fees and Compensation:** We have added disclosure related to clients that have margin accounts. When a margin account does not have available cash, we may use margin to deduct our fees where an advisor decides that a security liquidation is not optimal. In this case, the account margin balance will increase and the account will be charged margin interest. Clients always have the option of paying the fee from outside of the account. Further, Fidelity Investments ("Fidelity") will deliver an account statement to you on a monthly basis. These account statements will show margin balances and all disbursements from your account including advisory fees charged quarterly. You should review all statements for accuracy.
2. **Item 15, Custody:** We have added disclosure that we are deemed to have custody when clients authorize us to make third party transfers/payments out of their accounts held at Fidelity. By executing Fidelity's standing letters of authorization, clients authorize us to transfer assets to third parties. At all times, clients provide to Fidelity the name of the third party and the corresponding bank information of the third party. Upon the client's instruction, we can direct Fidelity to move the requested funds to the third party. We are relying on the SEC's IAA No-Action Letter for an exemption from the annual surprise audit. Fidelity provides monthly account statements that show all transactions including transfers and payments. We encourage clients to review the account statements in a timely manner.
3. **Item 11, Participation or Interest in Client Transactions:** We have added disclosure regarding loan participations which may be recommended to clients who are accredited investors. Loan participations provide a means for advisory clients to invest in short-term loans that are issued to borrowers to fund various projects. Typically, the loans are collateralized by mortgages on real estate property. We have disclosed that borrowers of such loans may include associated persons of our firm.

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## Item 4 Advisory Business

### Firm Profile

Samalin Investment Counsel, LLC is a registered investment adviser primarily based in Chappaqua, New York. We are organized as a limited liability company under the laws of the State of Delaware. We have been providing investment advisory services since 2007. Andrew Samalin is our principal owner.

As used in this brochure, the words "we," "our," "firm," and "us" refer to Samalin Investment Counsel, LLC and the words "you," "your," and "client" refer to you as either a client or prospective client of our firm. Also, you may see the term "Associated Person" throughout this brochure. As used in this brochure, our Associated Persons include our firm's officers, employees, and all individuals providing investment advice on behalf of our firm.

We provide our clients with a wide range of investment advisory services through our investment management programs, including financial planning, consulting, and discretionary and non-discretionary management of investment portfolios. Our integrated suite of services may be offered to clients on an all-inclusive or individual basis. Please refer to the description of each investment advisory service listed below for information on how we tailor our advisory services based on an analysis of your financial situation, personal balance sheet complexities, and individualized needs.

### Financial Planning/Consulting Services

We offer broad-based and consultative financial planning services to our clients which may also include second opinion services regarding investments and other non-investment related matters. Financial planning will typically involve providing a variety of advisory services to clients regarding the management of their financial resources based upon an analysis of their individual needs. In addition to traditional financial planning services, we offer financial consultations on a variety of matters, including analysis and advice on investment strategy, asset allocation, specific investment programs or products, alternative investment opportunities or other financial advisors, among others.

Financial plans are based on your financial situation at the time we present the plan to you and on the financial information you provide to our firm. In providing the contracted services, we are not required to verify any information we receive from you or from your other professionals (e.g. attorney, accountant, etc.) and we are expressly authorized to rely on the information you provide. You must promptly notify our firm if your financial situation, goals, objectives, or needs change.

You are under no obligation to act on our financial planning recommendations. Should you choose to act on any of our recommendations, you are not obligated to implement the financial plan through any of our other investment advisory services. Moreover, you may act on our recommendations by placing securities transactions with any brokerage firm of your choice.

### Divorce Financial Planning

We provide planning and professional guidance designed to address the immediate and long-term financial effects of divorce in an effort to protect client assets. Divorce financial planning is a fee-only process that does not involve investment advice on securities or implementation of securities related transactions. Through this service, we will assist you in determining the short and long term financial impact of any proposed divorce settlement. We will also provide consultations on financial issues that are related to the divorce, such as tax information, pension plan analysis, continued health care coverage, stock option elections, among others. We can work with your attorney or other professionals to assist you in making suitable financial decisions throughout the divorce process. We will either

provide the services directly, or we will recommend that you engage our affiliate, Samalin Divorce Finance, LLC, for divorce financial planning services. Please refer to the *Financial Industry Activities and Affiliations* section below for additional disclosures on this topic.

### **Portfolio Management Services**

We provide discretionary and non-discretionary portfolio management services in accordance with your individual investment objectives. If you participate in our discretionary portfolio management services, we require you to grant our firm discretionary authority to manage your account. Subject to a grant of discretionary authorization, we have the authority and responsibility to formulate investment strategies on your behalf. This authorization includes deciding which securities to buy and sell, when to buy and sell, and in what amounts, in accordance with your investment program, without obtaining your prior consent or approval for each transaction. Discretionary authority is typically granted by the investment advisory agreement you execute with our firm, a power of attorney, and/or trading authorization forms. You may limit our discretionary authority (for example, limiting the types of securities that can be purchased for your account) by providing our firm with your restrictions and guidelines in writing.

If you enter into a non-discretionary arrangement with our firm, we must obtain your approval prior to executing any transactions on behalf of your account held at the custodian. You have an unrestricted right to decline to implement any advice provided by our firm. In addition, we provide non-discretionary advisory services regarding: (1) your variable life/annuity contracts and/or (2) your individual employer-sponsored retirement plans. We may recommend a reallocation of your assets among the various separate accounts/mutual fund options in your variable life/annuity contract or retirement plan. In these instances, your assets are held by specific insurance company that issues the variable life/annuity contract or at the custodian designated by the sponsor of your retirement plan.

### **Wrap Program**

We provide discretionary investment management services on a wrap fee basis in accordance with our investment management wrap fee program (the "Program"). The Program is closed to new clients and is offered only to existing client accounts within the Program.

The services offered under and the terms and conditions pertaining to the Program are discussed in a separate Program brochure, i.e. SI Counsel Wrap Brochure ("Wrap Brochure"). Under the Program, we offer participants discretionary investment management services for a single specified annual Program fee inclusive of trade execution, custody, reporting, and investment management fees. The terms and conditions for your participation in the Program are set forth in detail in the Wrap Brochure which is provided to all Program participants in accordance with the disclosure requirements of Appendix 1 to Form ADV Part 2A. The Brochure is incorporated into this Form ADV Part 2A disclosure brochure by reference. All Program participants should read this disclosure statement and the Wrap Brochure.

As indicated in the Wrap Brochure, the overall cost of participation in the Program may be more or less than purchasing such services separately. In addition, the Program fee may be higher or lower than fees charged by other sponsors of comparable wrap fee programs.

### **Types of Investments**

We primarily offer advice on equity securities, corporate and municipal debt securities, exchange traded funds, closed-end funds, loan participations, real estate investment trusts, and options in accordance with your investment objectives. We may recommend index mutual funds, generally made available through Dimensional Fund Advisors, and variable annuities available through Fidelity Investments. Our recommendations take into consideration your investment restrictions, objectives

and risk tolerance. In addition, we may provide advice regarding investments transferred at the inception of your account and your advisory relationship with us, as well as any other investments at your request.

We may recommend that clients that are "accredited investors" as defined under Rule 501 of the Securities Act of 1933, as amended, invest in private placement securities, which may include debt, equity, and/or pooled investment vehicles when consistent with the client's investment objectives. When we recommend such investments, we do not receive any additional compensation beyond the receipt of our applicable investment advisory fees on the client's assets under our management.

You may request that we refrain from investing in particular securities or certain types of securities. You must provide these restrictions to our firm in writing.

### **Assets under Management**

As of December 31, 2018, we manage \$137,849,135 in client assets on a discretionary basis, and \$26,961,562 in client assets on a non-discretionary basis.

## **Item 5 Fees and Compensation**

### **Financial Planning/Consulting Services**

Prior to engaging our firm to provide financial planning and/or consulting services, you will generally be required to enter into a separate written agreement with us that sets forth the terms and conditions of the engagement and describes the scope of the services to be provided and the fees to be paid. Our fees for these services may consist of a fixed fee, an hourly fee, or a combination thereof. Currently, fixed fees range from \$875 to \$10,000 and hourly fees range from \$175 to \$575. Generally, we require payment of one-half of the financial planning/consulting fee upon entering into the agreement for services. The remaining balance is due and payable upon delivery of the financial plan or completion of the agreed upon services.

The type and amount of the fees charged will be negotiated on a case-by-case basis. Fees are based on the complexity of your financial situation and the scope of services to be provided. An estimate of the total cost will be determined at the start of the advisory relationship. In limited circumstances, the cost/time could potentially exceed the initial estimate. In such cases, we will notify you and may request that you pay an additional fee. Other fees and fee paying arrangements, including contingency based compensation, may be negotiated with clients on a case-by-case basis. In such cases, the fees and fee paying arrangements will be clearly disclosed in the executed agreement for services.

Either party may terminate the agreement by providing written notice to the other party. You will incur a pro rata charge for services rendered prior to the termination of the agreement. If you have pre-paid advisory fees that we have not yet earned, you will receive a prorated refund of those fees.

### **Divorce Financial Planning**

The type and amount of the fees charged will be negotiated on a case-by-case basis. Fees are based on the complexity of your financial situation and the scope of services to be provided. An initial retainer is required at the start of the advisory relationship and will be clearly set forth in the executed agreement for services. *In limited circumstances*, the cost/time could potentially exceed the initial estimate disclosed in the agreement. In such cases, we will notify you and request that you pay for additional services at an hourly fee which is also disclosed in the agreement.

### **Portfolio Management Services**

Our annual fee for portfolio management services varies between 0.50% and 2.50% depending upon the market value of your assets under our management, the type and complexity of the asset management services provided, as well as the level of administration to be provided to the client. Assets in each of your account(s) are included in the fee assessment unless specifically identified in writing for exclusion. In special circumstance, and in our sole discretion, we may negotiate a lesser management fee based upon certain criteria, i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client relationship, account retention, *pro bono* activities, etc. We may also charge a fixed consulting fee in lieu of asset-based compensation. Such fees are negotiated on a client-by-client basis and will be clearly set forth in the executed agreement for services.

Our portfolio management fee is billed and payable quarterly, in advance, based on the value of your account on the last day of the previous quarter. For the initial quarter of investment management services, our fees will be calculated on a pro-rata basis, which means that you will incur advisory fees only in proportion to the number of days occurring in the initial quarter for which you are a client. For deposits of \$500,000 or more after the inception of a quarter, a management fee will be charged and pro-rated for the number of days remaining in the quarter. Likewise, for withdrawals of \$500,000 or more after the inception of a quarter, the management fee already charged in the previous quarter will be pro-rated for the number of days remaining in the quarter and a credit will be applied against the management fee for the following quarter.

You may make additions to and withdrawals from your account at any time subject to the usual and customary securities settlement procedures. If you deposit or withdraw assets from your account after the first day of any calendar quarter, we will not adjust or prorate our management fee based on the number of days remaining in the quarter except for deposits/withdrawals of \$500,000 or more. We design your portfolios as long-term investments and asset withdrawals may impair the achievement of your specific investment objectives.

We will deduct our fee directly from your account through the qualified custodian, Fidelity Investments, holding your funds and securities. By executing a brokerage account application and our discretionary investment management agreement, you authorize us to deduct our fee directly from your accounts. In addition, when a margin account does not have available cash, we may use margin to deduct our fees where an advisor decides that a security liquidation is not optimal. In this case, the account margin balance will increase and the account will be charged margin interest. Clients always have the option of paying the fee from outside of the account. Further, Fidelity Investments will deliver an account statement to you on a monthly basis. These account statements will show margin balances and all disbursements from your account including advisory fees charged quarterly. You should review all statements for accuracy.

You may terminate the portfolio management agreement upon written notice to our firm. You will incur a pro-rata charge for services rendered prior to the termination of the portfolio management agreement, which means you will incur advisory fees only in proportion to the number of days in the quarter for which you were a client. If you have pre-paid advisory fees that we have not yet earned, you will receive a pro-rated refund of those fees.

### **Additional Fees and Expenses**

In addition to, and exclusive of, our investment advisory fees disclosed under the *Advisory Business* section above, you will also be charged brokerage commissions, transaction fees, and other related costs and expenses for trade execution, clearance, and custodial services provided by Fidelity Investments ("Fidelity"). Commissions charged by Fidelity are dependent on the level of aggregate



assets in your accounts and/or the method of delivery that you select to receive your statements and confirmations. These transaction charges are imposed by, paid to, and retained by Fidelity and do not receive any portion of these commissions, fees, or costs. For more information on our brokerage practices, refer to the *Brokerage Practices* section below.

As part of our investment advisory services to you, we may invest or recommend that you invest in mutual funds and exchange traded funds. The investment advisory fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds which are described in each fund's prospectus to their shareholders. These fund level fees will generally include a management fee and other fund expenses. To fully understand the total cost you will incur, you should consider all the fees charged by mutual funds, exchange traded funds, our firm, and others.

In the event of the death of any client who is a natural person, the executor/executrix of the deceased client's estate may engage our firm to manage the client's estate account(s) under a separate written advisory agreement. Where the executor/executrix of the client's estate elects to engage us to manage the estate's assets in this manner, an administrative fee of \$500 will be charged to the estate account at inception to defer costs incurred by our firm in connection with gathering required documents, opening account(s), and communicating with the executor/executrix and/or the deceased's family members.

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

We do not charge performance-based fees or participate in side-by-side management. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Our fees are calculated as described in the *Advisory Business* section above and are not charged on the basis of a share of capital gains or capital appreciation of the assets in your advisory account.

## **Item 7 Types of Clients**

We offer investment advisory services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, and other business entities. In general, we do not require a minimum amount of assets to open and maintain an advisory account; however, we prefer to manage portfolios which have a minimum of \$500,000 in assets. We reserve the right to terminate your account if it is too small to manage effectively.

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

We may use one or more of the following methods of analysis or investment strategies when providing investment advice to you:



- Fundamental Analysis of individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company's industry. The resulting data is used to measure the true value of the company's stock compared to the current market value.
- Cyclical Analysis of historical price patterns and trends.
- Long Term Purchases of securities with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.
- Short Term Purchases of securities with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short term price fluctuations.
- Options Trading/Writing which involves buying or selling (writing) options on exchange-traded equities. If you sell/write an option and the buyer exercises the option, you are obligated to purchase or deliver a specified number of shares at a specified price at the expiration of the option regardless of the market value of the security at expiration of the option. Buying an option gives you the right to purchase or sell a specified number of shares at a specified price until the date of expiration of the option regardless of the market value of the security at expiration of the option.

Our investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio.

### **Risk of Loss**

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

### **Recommendation of Particular Types of Investments**

As disclosed under the *Advisory Business* section in this Brochure, we primarily recommend equity securities, closed-end funds, corporate debt securities, mutual funds, exchange traded funds, privately placed securities, loan participations, real estate investment trusts, and options in accordance with your investment objectives. We will also recommend index mutual funds, generally made available through Dimensional Fund Advisors. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it.

There are numerous ways of measuring the risk of equity securities (also known simply as "equities" or "stock"). In very broad terms, the value of a stock depends on the financial health of the company issuing it. However, stock prices can be affected by many other factors including but not limited to: the class of stock, i.e. preferred or common; the health of the market sector of the issuing company; and the overall health of the economy. In general, larger, well-established companies ("large cap") tend to have less price volatility than smaller start-up companies ("small cap") but the mere size of an issuer is not by itself an indicator of the safety of the investment.

Corporate debt securities ("bonds") are typically safer investments than equity securities, but their risk can also vary widely based on: the financial health of the issuer; the risk of default by the issuer; when the bond is set to mature; and whether or not the bond can be called prior to maturity. When a bond is called, it may not be possible to replace it with a bond of equal character that pays the same interest rate.

Mutual funds and exchange traded funds ("ETFs") are professionally managed registered investment companies that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds and ETFs generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (borrows money) to a significant degree, or concentrates in a particular type of security, i.e. equities, rather than balancing the fund with different types of securities. ETFs differ from mutual funds since they can be bought and sold throughout the day like stocks and their price can fluctuate throughout the day. The returns on mutual funds and ETFs can be reduced by the costs to manage the funds. Also, while some mutual funds are "no load" and charge no fee to buy into, or sell out of, the fund, other types of mutual funds do charge such fees which can also reduce returns. Mutual funds are open-end funds that continually issue share to new investors which can dilute other investors' interests. The shares of mutual funds are priced at the end of the day and trade at the net asset value of the fund.

Closed-end funds are another form of registered investment company, they issue a fixed number of shares, and they trade on stock exchanges throughout the day like individual stocks. Share of closed end funds may trade at a premium or discount to the net asset value. Many closed-end funds use leverage to increase returns; however, leverage will also compound losses in a down market.

Options give an investor the right to buy (call) or sell a stock (put) at some future time at a set price. Options are complex investments and can be very risky, especially if the investor does not own the underlying stock. In certain situations, an investor's risk can be unlimited. The main difference between warrants and call options is that warrants are issued and guaranteed by the issuing company, whereas call options are traded on an exchange and are not issued by the company. Also, the lifetime of a warrant is often measured in years, while the lifetime of a typical option is measured in months.

A limited partnership is a financial entity that includes at least one general partner and a number of limited partners. The partnership invests in a venture, such as real estate development or oil exploration for financial gain. The general partner usually does not contribute any capital but has management authority and unlimited liability. That is, the general partner runs the business and, in the event of bankruptcy, is responsible for all debts not paid or not discharged. The limited partners have no management authority and confine their participation to their capital investment. That is, limited partners invest a certain amount of money and have nothing else to do with the business. However, their liability is limited to the amount of the investment. For a limited partner, the worst case scenario is the total loss of the capital invested. Profits are divided between general and limited partners according to an arrangement formed at the creation of the partnership.

Loan participations allow investors to participate in short-term loans to provide funding to borrowers for various purposes. Typically, the loans are collateralized by mortgages on real estate property. We may recommend loan participations to clients that are accredited investors taking into consideration suitability, risk tolerance and liquidity of the clients.

## Item 9 Disciplinary Information

Samalin Investment Counsel, LLC has been registered and providing investment advisory services since 2007. Neither our firm nor any of our Associated Persons has any reportable disciplinary information.

## Item 10 Other Financial Industry Activities and Affiliations

Andrew Samalin, Managing Member of Samalin Investment Counsel, LLC, is also Managing Member of Samalin Development LLC, a real estate management and development company, and is the Managing Member of numerous other limited liability companies. Please refer to **item 11 Codes of Ethics, Participation or Interest in Client Transactions and Personal Trading** section below for additional disclosures.

Mr. Samalin is Managing Member of Samalin Divorce Finance LLC ("SDF"). SDF specializes in providing planning and professional guidance in structuring divorce settlements that are designed to address the immediate and long-term financial effects of divorce in an effort to protect client assets. To assist clients of SDF in securities related services, we have entered into a non-exclusive reciprocal referral arrangement with SDF through which we may refer our advisory clients to SDF for divorce planning services. In return, SDF will refer divorce planning clients to us for investment advisory and securities related services. While as part of our fiduciary duty, we endeavor at all time to put your interest first, you should be aware that this referral arrangement creates a conflict of interest since Mr. Samalin, as a co-owner of SDF, has a financial incentive to recommend SDF and its services. You retain absolute discretion over the decision to enter into an agreement with SDF for divorce planning services. You are under no obligation to act on our referral, and you are free to accept or reject, at any time, the services provided by SDF. Should you choose to enter into an agreement for divorce planning services, you are in no way obligated to do so through SDF. Refer to the *Advisory Business* section above for additional disclosures on this topic.

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

### Description of Our Code of Ethics

We have adopted a Code of Ethics that sets the standard of conduct expected to comply with applicable securities laws. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. We adhere strictly to these guidelines. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm. Clients or prospective clients may contact us at 914-666-6600 to request a copy of our Code of Ethics.

### Participation or Interest in Client Transactions

Certain employees, independent contractors, or clients of our firm, including Andrew Samalin our Managing Member (together "Associated Persons"), may serve as the managing members, limited partners, finders, and/or investors in certain limited liability companies that specialize in short-term real estate financing transactions, including but not limited to loans and mortgages in which you may be solicited to invest. Borrowers of such loans may include associated persons. Loan participations are completely separate from your investment account(s) that we advise/manage as described in **Item 4 Advisory Services** above, i.e. your account(s) held at Fidelity, your account custodian. Should you decide to invest in such loans, you can either fund the investment separately or we will transfer funds

from your account(s) held at Fidelity pursuant to your written authorization. You must be an accredited investor to invest in loan participations which requires that you have a net worth or \$1 million or more (exclusive of home equity) and an individual annual income in excess of \$200,000 in each of the two most recent years or joint income with a spouse in excess of \$300,000 in each of the two most recent years. If you elect to invest in one or more loans, you will receive additional disclosures regarding the risks and terms of the loan participations. You are expressly informed that the fees paid to our firm for advisory services are separate and in addition to any fees that may be payable to Mr. Samalin, if any, under the terms of the loan participation agreement. In addition, fees may be paid to Mr. Samalin, and/or others, by the loan/mortgage borrower for providing financial analysis. As part of our fiduciary duty, we endeavor at all times to put your interests first, but these situations may create a conflict of interest since our firm and/or our associated persons, including Mr. Samalin, may have a financial incentive to recommend loan participations. You are strongly encouraged to seek independent legal counsel prior to investing in loan participations. These investments are not protected by SIPC.

### **Personal Trading Practices**

Our firm or persons associated with our firm may buy or sell the same securities that we recommend to you or securities in which you are already invested. A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To mitigate this conflict of interest, it is our policy that neither our firm nor our Associated Persons shall have priority over your account in the purchase or sale of securities. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

## **Item 12 Brokerage Practices**

### **Recommendation of Broker-Dealers**

We routinely recommend the brokerage and custodial services of Fidelity Institutional Wealth Services and its affiliates (collectively referred to as "Fidelity"), a securities broker-dealer and a member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation ("SIPC"). If you do not direct our firm to execute transactions through Fidelity, we reserve the right to not accept your account. Not all advisers require their clients to direct brokerage. We may only implement our investment management recommendations after you have arranged for and furnished our firm with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to, Fidelity, and any other broker-dealer we recommend, any broker-dealer directed by you, trust companies, banks, etc. (collectively referred to as "Financial Institution(s)"). You may incur certain charges imposed by the Financial Institution(s) and other third parties such as custodial fees, charges imposed directly by a mutual fund or exchange traded fund in the account, which shall be disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Such charges, fees and commissions are exclusive of and in addition to our advisory fee.

Factors that we consider in recommending Fidelity or any other broker-dealer to you include their respective financial strength, reputation, execution, pricing, research and service. Fidelity enables our firm to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by Fidelity may be higher or lower than those charged by other broker-dealers. You may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where we determine, in

good faith, that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including among others, the value of research provided, execution capability, commission rates and responsiveness. Consistent with the foregoing, while we will seek competitive rates, we may not necessarily obtain the lowest possible commission rates for client transactions.

We may receive from Fidelity investment research products and/or services which assist our firm in the investment decision-making process. Such research generally will be used to service all of our clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest. We may receive from Fidelity, without cost to our firm, computer software and related systems support, which allow us to better monitor your accounts maintained at Fidelity. We may receive the software and related support without cost because we render investment management services to clients that maintain assets at Fidelity. The software and related systems support may benefit our firm, but not you directly. In fulfilling our duties to you, we endeavor at all times to put your interests first. You should be aware however, that our receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence our choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support or services. Additionally, we may receive the following benefits from Fidelity through the Fidelity Institutional Wealth Services Group: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its Institutional Wealth Services Group participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

### **Directed Brokerage**

In limited circumstances, and at our discretion, some clients may instruct our firm in writing to use one or more particular brokers to execute some or all of the transactions in their accounts. If you choose to direct our firm to use a particular broker, you will negotiate terms and arrangements for your account with the broker-dealer, and we will not seek better execution services or prices from other broker-dealers or be able to aggregate trades with other client accounts (as described below at *Block Trades*). As a result, you 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. Thus, when directing brokerage business, you should consider whether the commission expenses, execution, clearance, and settlement capabilities that you will obtain through your broker are adequately favorable in comparison to those that we would otherwise obtain for you. Subject to our duty to obtain best execution, we may decline your request to direct brokerage if, in our sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

### **Brokerage for Client Referrals**

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.



## **Block Trades**

Transactions for each client generally will be effected independently, unless we decide to purchase or sell the same securities for several clients at approximately the same time. In these circumstances we may, but are not obligated to, combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as "block trading"). Where a block trade occurs, we will then distribute a portion of the shares obtained to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of any management fees paid to our firm. Subject to our discretion regarding factual and market conditions, when we combine orders, each participating account pays an average price per share for all transactions and pays transaction costs based on account characteristics, such as, whether the account is a legacy wrap account or whether the client elected e-delivery of statements and confirmations. Wrap fee accounts are no longer offered by our firm. Clients who elect e-delivery of account statements and confirmations generally pay a lower commission per transaction than clients who receive such documents by mail.

## **Item 13 Review of Accounts**

For clients to whom we provide investment management services, we monitor those portfolios as part of an ongoing process. For those clients to whom we provide financial planning and/or consulting services, reviews are conducted on an "as needed" basis. Clients are encouraged to discuss their needs, goals, and objectives with their advisors and to keep us informed of any changes in this information. We will contact ongoing investment advisory clients at least annually to review the previous services provided and/or recommendations and to discuss the impact resulting from any changes in their financial situation and/or investment objectives.

At the advisor's discretion and/or client request, we may also provide a report that generally includes relevant account information such as an inventory and appraisal of account holdings and investment performance. Clients will receive transaction confirmation notices and regular summary account statements, at least quarterly, directly from Fidelity. We encourage clients to reconcile our reports with those received from Fidelity.

For clients who retain us for financial planning and/or consulting services, we will provide reports summarizing our analysis and conclusions as requested or as otherwise agreed to in writing.

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

We directly compensate non-employee (outside) consultants, individuals, and/or entities (Solicitors) for client referrals. In order to receive a cash referral fee from our firm, Solicitors must comply with the requirements of the jurisdictions in which they operate. If you were referred to our firm by a Solicitor, you should have received a copy of this brochure along with the Solicitor's disclosure statement at the time of the referral. If you become a client, the Solicitor that referred you to our firm will receive a referral fee. You will not pay additional fees because of this referral arrangement. Referral fees paid to a Solicitor are contingent upon your entering into an advisory agreement with our firm. Therefore, a Solicitor has a financial incentive to recommend our firm to you for advisory services. This creates a conflict of interest; however, you are not obligated to retain our firm for advisory services. Comparable services and/or lower fees may be available through other firms.

Solicitors that refer business to more than one investment adviser may have a financial incentive to recommend advisers with more favorable compensation arrangements.

Refer to the *Brokerage Practices* section above for disclosures on research and other benefits we may receive resulting from our relationship with Fidelity.

## Item 15 Custody

We are deemed to have custody of client funds and securities due to the following:

1. We directly debit your account(s) for the payment of our advisory fees. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with Fidelity. You will receive account statements from Fidelity on a monthly basis. The account statements will disclose the amount of our advisory fees deducted from your account(s) each quarterly billing period. You should carefully review account statements for accuracy.
2. We have been authorized by clients to make third party transfers/payments out of their accounts held at Fidelity. By executing standing letters of authorization, clients authorize us to transfer assets to third parties. At all times, clients provide to Fidelity the name of the third party and the corresponding bank information of the third party. Upon the client's instruction, we can direct Fidelity to move the requested funds to the third party. We are relying on the SEC's IAA No-Action Letter for an exemption from the annual surprise audit. Fidelity provides monthly account statements that show all transactions including transfers and payments. We encourage clients to review the account statements in a timely manner.

Fidelity provides monthly account statements that show all transactions including transfers and payments. We encourage clients to review the statements in a timely manner. Should you have a question regarding your account statement or if you did not receive a statement from Fidelity, contact Thomas Kowalchuk at 914-666-6616 or Fidelity directly at 800-544-6666.

## Item 16 Investment Discretion

Before we can buy or sell securities on your behalf, you must first sign our discretionary management agreement, a power of attorney and/or trading authorization forms.

You may grant our firm discretion over the selection and amount of securities to be purchased or sold for your account(s) without obtaining your consent or approval prior to each transaction. You may specify investment objectives, guidelines and/or impose certain conditions or investment parameters for your account(s). For example, you may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio and/or restrictions or prohibitions of transactions in the securities of a specific industry or security. Refer to the *Advisory Business* section above for more information on our discretionary management services.

If you enter into non-discretionary arrangements with our firm, we will obtain your approval prior to the execution of any transactions for your account(s). Refer to the *Advisory Business* section above for more information on our non-discretionary management services.

## Item 17 Voting Client Securities

We will not vote proxies on behalf of your advisory accounts. However, at your request, we may offer you advice regarding the exercise of your proxy voting rights. The ultimate voting decision always remains with the client.



## **Item 18 Financial Information**

Our firm does not have any financial condition or impairment that would prevent us from meeting our contractual commitments to you. We do not take physical custody of client funds or securities, or serve as trustee or signatory for client accounts, and, we do not require the prepayment of more than \$1,200 in fees six or more months in advance and we have not filed a bankruptcy petition at any time in the past ten years. Therefore, we are not required to include a financial statement with this brochure.

## **Item 19 Requirements for State-Registered Advisers**

This section is not applicable to our firm because we are an SEC registered investment adviser.

## **Item 20 Additional Information**

### **Your Privacy**

We view protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that we keep your personal information private and secure.

We do not disclose any nonpublic personal information about you to any unaffiliated third parties, except as permitted by law. In the course of servicing your account, we may share some information with our service providers, such as transfer agents, custodians, broker-dealers, accountants, consultants, and attorneys.

We restrict internal access to nonpublic personal information about you to employees who need that information in order to provide products or services to you. We maintain physical and procedural safeguards that comply with regulatory standards to guard your nonpublic personal information and to ensure our integrity and confidentiality. We will not sell information about you or your accounts to anyone. We do not share your information unless it is required to process a transaction, at your request, or required by law.

You will receive a copy of our privacy notice prior to or at the time you sign an advisory agreement with our firm. Thereafter, we will deliver a copy of the current privacy policy notice to you on an annual basis. Contact us at 914-666-6600 if you have any questions regarding our privacy policy.

### **Trade Errors**

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account.

### **Class Action Lawsuits**

We do not determine if securities held by you are the subject of a class action lawsuit or whether you are eligible to participate in class action settlements or litigation nor do we initiate or participate in litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by you.