

# Frontier Investment Management Company

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## Frontier Investment Management Company

**Brochure**  
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This brochure provides information about the qualifications and business practices of Frontier Investment Management Company (the “Registrant”). If you have any questions about the contents of this brochure, please contact us at (972) 934-2590 or [compliance@frontierinvest.com](mailto:compliance@frontierinvest.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Frontier Investment Management Company also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

References herein to Frontier Investment Management Company 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**

There have been no material changes made to Frontier Investment Management Company's disclosure statement since last year's Annual Amendment filing on March 31, 2010.

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

- A. Frontier Investment Management Company (the “Registrant”) is a corporation formed on January 26, 1994 in the State of Texas. The Registrant became registered as an Investment Adviser Firm in February 1994. The Registrant is principally owned by Gary Schoen, Richard Sowden, and Brian Hattendorf. Gary Schoen is the Registrant’s President.
- B. As discussed below, the Registrant offers to its clients (individuals, banks, investment companies, pension plans, business entities, trusts, estates and charitable organizations, etc.) investment advisory services, and, to the extent specifically requested by a client, financial planning and related consulting services.

#### **INVESTMENT ADVISORY SERVICES**

The Registrant offers several managed account programs, wherein the Registrant manages client accounts on a fully discretionary basis. Within each program, the client’s individual financial situation is analyzed and their individual investment goals are determined. The optimum asset mix is determined for each client based upon his or her individual goals, needs, and risk tolerances. This approach is offered under the following programs:

- 1)    Balanced Investment Program
- 2)    Fixed Income Management Program
- 3)    Total Return Strategy Program
- 4)    Concentrated Position Program

The Registrant’s management process has three steps generally applicable to each Program:

Step 1: Asset Allocation – determination of appropriate asset class allocation weightings based on each client’s specific goals and objectives while considering their constraints and overall risk tolerance.

Step 2: Investment Selection – selection of specific investment vehicles through a proprietary quantitative and qualitative screening process, which determines specific investment options within the context of the asset allocation.

Step 3: Portfolio Monitoring & Reporting – ongoing portfolio monitoring and evaluation. Portfolio rebalancing is necessary.

**Balanced Investment Program.** The Balanced Investment Program is designed to meet the investment needs of high net worth individuals and institutions and it incorporates the three steps mentioned above within this context. The program emphasizes personal attention through each phase of the investment process from the initial determination of the client’s investment goals and risk tolerances, through the investment selection phase, and on an on-going basis with performance reporting and portfolio monitoring.

The Registrant is compensated by an annual fee (paid quarterly in advance) based on the asset value of the account as follows:

<u>Assets Under Management</u>	<u>% of Assets</u>
\$250,000 - \$500,000	1.25%
\$500,001 - \$1,000,000	1.00%
\$1,000,000+	0.75%

Minimum account size: \$250,000

Minimum annual fee: \$3,125

**Fixed Income Management Program.** The Fixed Income Management Program is designed to meet the investment needs of wealthy individuals as well as institutional clients with respect to fixed income security asset management.

The Registrant is compensated by an annual fee (paid quarterly in advance) based on the asset value of the account as follows:

<u>Assets Under Management</u>	<u>% of Assets</u>
\$500,000+	0.60%

Minimum account size: \$500,000

Minimum annual fee: \$3,000

**Total Return Strategy Program.** The investment objective of Total Return Strategy (“TRS”) is long-term growth of capital from income and/or capital appreciation. TRS will seek to attain its objective by investing in all manner of fixed income and/or equity securities. The Registrant’s investment strategy will focus on finding those securities the Registrant believes the market has mispriced the risk of the investment in comparison to the Registrant’s estimate of intrinsic value. TRS may invest directly or through a fund, so long as liquidity and cost requirements are satisfactorily met.

The Registrant is compensated by an annual fee (paid quarterly in advance) based on the asset value of the account as follows:

<u>Assets Under Management</u>	<u>% of Assets</u>
\$250,000+	1.00%

Minimum account size: \$250,000

Minimum annual fee: \$2,500

**Concentrated Position Program.** The Concentrated Position Program is designed to meet the investment needs of wealthy individuals with concentrated positions in one or multiple securities. The Registrant will develop, implement and monitor a plan designed to meet the client's needs, whether that is to generate income, reduce exposure to the concentrated position, defer taxes or all of the above.

The Registrant is compensated by an annual fee (paid quarterly in advance) based on the asset value of the account as follows:

<u>Assets Under Management</u>	<u>% of Assets</u>
\$750,000+	0.75%

Minimum account size: \$750,000

Minimum annual fee: \$5,625

### **FINANCIAL PLANNING AND CONSULTING SERVICES**

To the extent requested by a client, the Registrant *may* determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone separate fee basis. Registrant's planning and consulting fees are negotiable, but generally range from \$300 to \$2,000 on a fixed fee basis and \$100 on an hourly rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s). Prior to engaging the Registrant to provide planning or consulting services, clients are generally required to enter into a *Financial Planning 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 portion of the fee that is due from the client prior to Registrant commencing services. If requested by the client, Registrant may recommend the services of other professionals for implementation purposes, including certain of Registrant's representatives in their individual capacities as licensed insurance agents (*See* disclosure at Item 10 C.8). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** It remains the client's responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

## MISCELLANEOUS

**Non-Investment Consulting/Implementation Services.** To the extent requested by the client, the Registrant *may* provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Neither the Registrant, nor any of its representatives, serves as an attorney or accountant, and no portion of the Registrant's services should be construed as same. To the extent requested by a client, the Registrant may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance agents, etc.), including certain representatives of the Registrant in their separate licensed capacities as discussed below. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** It remains the client's responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

**Affiliated Private Investment Fund.** The Registrant is the Managing Member of FIMCO Partners GenPar, LLC, which is the General Partner in the limited partnership, FIMCO Partners I, L.P (the "*Partnership*"). The *Partnership* was designed to give Registrant's clients access to alternative investment strategies, particularly hedge funds. The *Partnership* uses a "fund of funds" approach to gain exposure to many different hedge fund strategies in an attempt to provide an absolute return product that is not highly correlated with the equity markets in general. The *Partnership* is in the process of being liquidated and as of December 31, 2010 and has less than Six Hundred Thousand Dollars (\$600,000) remaining in the *Partnership*. **The Registrant is not soliciting new partners for the *Partnership* or recommending that clients invest in the *Partnership*.**

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

**Please Also Note: Conflict Of Interest.** Because Registrant and/or its affiliates can earn compensation from the *Partnership* (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 a *Partnership* investor presents a **conflict of interest**. No client is under any obligation to become a *Partnership* investor. **The Registrant's Chief Compliance Officer, Richard Sowden, remains available to address any questions regarding this conflict of interest.**

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

**Disclosure Statement.** A copy of the Registrant's written Brochure as set forth on Part 2A of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the *Investment Management Agreement or Financial Planning Agreement*. Any client who has not received a copy of Registrant's written Brochure at least 48 hours prior to executing the *Investment Management Agreement or Financial Planning Agreement* shall have five business days subsequent to executing the agreement to terminate the Registrant's services without penalty.

- 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 anytime, impose reasonable restrictions, in writing, on the Registrant's services.
- D. The Registrant does not participate in a wrap fee program.
- E. As of December 31, 2010, the Registrant had \$596,130,436 in assets under management on a discretionary basis.

## **Item 5            Fees and Compensation**

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

### **INVESTMENT ADVISORY SERVICES**

The Registrant offers several managed account programs, wherein the Registrant manages client accounts on a fully discretionary basis. Within each program, the client's individual financial situation is analyzed and their individual investment goals are determined. The optimum asset mix is determined for each client based upon his or her individual goals, needs, and risk tolerances. The Registrant's fees for the managed account programs are as follows:

**Balanced Investment Program.** The Registrant is compensated by an annual fee (paid quarterly in advance) based on the asset value of the account as follows:

<u>Assets Under Management</u>	<u>% of Assets</u>
\$250,000 - \$500,000	1.25%
\$500,001 - \$1,000,000	1.00%
\$1,000,000+	0.75%

Minimum account size: \$250,000  
Minimum annual fee: \$3,125

**Fixed Income Management Program.** The Registrant is compensated by an annual fee (paid quarterly in advance) based on the asset value of the account as follows:

<u>Assets Under Management</u>	<u>% of Assets</u>
\$500,000+	0.60%

Minimum account size: \$500,000  
Minimum annual fee: \$3,000

**Total Return Strategy Program.** The Registrant is compensated by an annual fee (paid quarterly in advance) based on the asset value of the account as follows:

<u>Assets Under Management</u>	<u>% of Assets</u>
\$250,000+	1.00%

Minimum account size: \$250,000  
Minimum annual fee: \$2,500

**Concentrated Position Program.** The Registrant is compensated by an annual fee (paid quarterly in advance) based on the asset value of the account as follows:

<u>Assets Under Management</u>	<u>% of Assets</u>
\$750,000+	0.75%

Minimum account size: \$750,000  
Minimum annual fee: \$5,625

## **FINANCIAL PLANNING AND CONSULTING SERVICES**

To the extent specifically requested by a client, the Registrant *may* determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone fee basis. Registrant's planning and consulting fees are negotiable, but generally range from \$300 to \$2,000 on a fixed fee basis and \$100 on an hourly rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s).

- B. Clients may elect to have the Registrant's advisory fees deducted from their custodial account. Both Registrant's *Investment Management 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 and Co., Inc. ("*Schwab*") or TD Ameritrade, Inc. ("*Ameritrade*") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Schwab* and *Ameritrade* 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).
- 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 *Investment Management 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 Management 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. **Securities Commission Transactions. Please Note:** Registrant's representative, David R. Lambert, is a partner in *Braymen, Lambert & Noel Securities Ltd.* ("*BLN*"), a FINRA member broker-dealer. The Registrant does not recommend to its clients that he/she/it/they purchase securities from Mr. Lambert. Mr. Lambert's securities licensure is **not material** to the Registrant's advisory operations.

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

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

## **Item 7            Types of Clients**

The Registrant's clients shall generally include individuals, banks or thrift institutions, investment companies, business entities, pension and profit sharing plans, trusts, estates and charitable organizations. The Registrant generally requires a minimum asset level of \$250,000, \$500,000, \$250,000 and \$750,000 for its Balanced Investment Program, Fixed Income Investment Program, Total Return Strategy Program and Concentrated Position Program, respectively. The Registrant generally requires an annual minimum fee of \$3,125, \$3,000, \$2,500 and \$5,625 for its Balanced Investment Program, Fixed Income Investment Program, Total Return Strategy Program and Concentrated Position Program, respectively. The Registrant, in its sole discretion, may charge a lesser investment management fee and/or waive or reduce its minimum fee or asset requirement based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

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

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

- Charting - (analysis performed using patterns to identify current trends and trend reversals to forecast the direction of prices)
- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
- Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)

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

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

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

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, Short Term Purchases, and Trading - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy. Trading, an investment strategy that requires the purchase and sale of securities within a thirty (30) day investment time period, involves a very short investment time period but will incur higher transaction costs when compared to a short term investment strategy and substantially higher transaction costs than a longer term investment strategy.

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

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

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

The use of options transactions as an investment strategy involves a high level of inherent risk. Option transactions establish a contract between two parties concerning the buying or selling of an asset at a predetermined price during a specific period of time. During the term of the option contract, the buyer of the option gains the right to demand fulfillment by the seller. Fulfillment may take the form of either selling or purchasing a security depending upon the nature of the option contract. Generally, the purchase or the recommendation to purchase an option contract by the Registrant shall be with the intent of offsetting/"hedging" a potential market risk in a client's portfolio. **Please Note:** Although the intent of the options-related transactions that may be implemented by the Registrant is to hedge against principal risk, certain of the options-related strategies (i.e. straddles, short positions, etc), may, in and of themselves, produce principal volatility and/or risk. Thus, a client must be willing to accept these enhanced volatility and principal risks associated with such strategies. In light of these enhanced risks, client may direct the Registrant, in writing, not to employ any or all such strategies for his/her/their/its accounts.

- C. Currently, the Registrant primarily allocates client investment assets among various individual equity (stocks), debt (bonds) and fixed income securities, mutual funds and/or exchange traded funds 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. **Registered Representative of BLN.** As disclosed above in Item 5.E, Registrant's representative, David R. Lambert, is a partner and registered representative of *BLN*, a FINRA member broker-dealer. Mr. Lambert's securities licensure is **not material** to the Registrant's advisory operations.
- 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.
2. **Affiliated Private Investment Fund.** The Registrant is the Managing Member of FIMCO Partners GenPar, LLC, which is the General Partner in the limited partnership, FIMCO Partners I, L.P (the "*Partnership*"). The *Partnership* was designed to give Registrant's clients access to alternative investment strategies, particularly hedge funds. The *Partnership* uses a "fund of funds" approach to gain exposure to many different hedge fund strategies in an attempt to provide an absolute return product that is not highly correlated with the equity markets in general. The *Partnership* is in the process of being liquidated and as of December 31, 2010 and has less than Six Hundred Thousand Dollars (\$600,000) remaining in the *Partnership*. **The Registrant is not soliciting new partners for the *Partnership* or recommending that clients invest in the *Partnership*.**

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

**Please Also Note: Conflict Of Interest.** Because Registrant and/or its affiliates can earn compensation from the *Partnership* (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 a *Partnership* investor presents a **conflict of interest**. No client is under any obligation to become a *Partnership* investor. **The Registrant's Chief Compliance Officer, Richard Sowden, remains available to address any questions regarding this conflict of interest.**

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

8. **Licensed Insurance Agents.** Certain of Registrant's representatives, in their individual capacities, are licensed insurance agents, and may recommend the purchase of certain insurance-related products on a commission basis. As referenced in Item 4.B above, clients can engage certain of Registrant's representatives to purchase insurance products on a commission basis.

**Conflict of Interest:** The recommendation Registrant's representatives that a client purchase an insurance commission product presents a ***conflict of interest***, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from Registrant's representatives. Clients are reminded that they may purchase insurance products recommended by Registrant through other, non-affiliated insurance agents. **The Registrant's Chief Compliance Officer, Richard Sowden, 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. Neither the Registrant nor any related person of Registrant recommends, buys, or sells for client accounts, securities in which the Registrant or any related person of Registrant has a material financial interest.
- C. The Registrant and/or representatives of the Registrant *may* buy or sell securities that are

also recommended to clients. This practice may create a situation where the Registrant and/or 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. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person’s current securities holdings at least once each twelve (12) month period thereafter on a date the Registrant selects; provided, however that at any time that the Registrant has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. The Registrant and/or representatives of the Registrant *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where the Registrant and/or representatives of the 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* and/or *Ameritrade*. Prior to engaging Registrant to provide investment management services, the client will be required to enter into a formal *Investment Management 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* and/or *TD Ameritrade* (or any other broker-dealer/custodian to clients) include historical relationship with the Registrant, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Registrant's clients shall comply with the Registrant's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Registrant determines, in good faith, that the commission/transaction fee is reasonable in relation to the value of the brokerage and

research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of 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

Factors that the Registrant considers in recommending a particular broker-dealer/custodian to clients include historical relationship with the Registrant, financial strength, reputation, execution, pricing, research, and service. Neither the Registrant, nor any of its Principals or representatives will receive any portion of the brokerage commissions or transactions fees charged to clients.

In return for effecting securities transactions through a designated broker-dealer/custodian, 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. Although the commissions paid by Registrant's clients shall comply with the Registrant's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Registrant determines, in good faith, that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of broker-dealer services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Registrant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. Although the investment research products or services that may be obtained by Registrant will generally be used to service all of Registrant's clients, a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client's account. With respect to investment research products or services obtained by the Registrant that have a mixed use of both a research and non-research (i.e., administrative, etc.) function, Registrant shall make a reasonable allocation of the cost of the product or service according to its use - the percentage of the product or service that provides assistance to the Registrant's investment decision-making process will be paid for with soft dollars while that portion which provides administrative or other non-research assistance will be paid for by the Registrant with hard dollars. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Registrant's investment management fee.

**The Registrant's Chief Compliance Officer, Richard Sowden, remains available to address any questions that a client or prospective may have regarding the above conflict of interest.**

**Research and Additional Benefits**

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Registrant may receive from *Schwab* and/or *Ameritrade* (or another broker-dealer/custodian) without cost (and/or at a discount) support services and/or products, certain of which assist the Registrant to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by the Registrant may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Registrant in furtherance of its investment advisory business operations.

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

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

**The Registrant's Chief Compliance Officer, Richard Sowden, 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.**

**Ameritrade Institutional Customer Program**

Registrant participates in TD Ameritrade's Institutional Customer Program (the "*Program*") and Registrant may recommend *Ameritrade* to clients for custody and brokerage services. There is no direct link between Registrant's participation in the *Program* and the investment advice it gives to its clients, although Registrant receives economic benefits through its participation in the *Program* that are not typically available to *Ameritrade* retail investors. These benefits include the following products and services (provided without cost or at a discount): duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with



no transaction fees and to certain institutional money managers; and discounts on compliance, marketing research, technology, and practice management products or services provided to Registrant by third party vendors. *Ameritrade* may also have paid for business consulting and professional services received by Registrant. Some of the products and services made available by *Ameritrade* through the *Program* may benefit Registrant but may not benefit its client accounts. These products or services may assist Registrant in managing and administering client accounts, including accounts not maintained at *Ameritrade*. Other services made available by *Ameritrade* are intended to help Registrant manage and further develop its business enterprise. *Ameritrade* may also pay or reimburse expenses (including travel, lodging, meals and entertainment expenses) for Registrant's representatives to attend conferences or meetings relating to the *Program* or to *Ameritrade's* advisor custody and brokerage services generally. The benefits received by Registrant or its representatives through participation in the *Program* do not depend on the amount of brokerage transactions directed to *Ameritrade*. Clients should be aware, however, that the receipt of economic benefits by Registrant or its representatives in and of itself creates a potential conflict of interest and may indirectly influence Registrant's recommendation of *Ameritrade* for custody and brokerage services.

Registrant also receives from *Ameritrade* certain additional economic benefits ("Additional Services") that may or may not be offered to any other independent investment advisers participating in the *Program*.

*Ameritrade* provides the Additional Services to Registrant in its sole discretion and at its own expense, and Registrant does not pay any fees to *Ameritrade* for the Additional Services. Registrant and *Ameritrade* have entered into a separate agreement ("Additional Services Addendum") to govern the terms of the provision of the Additional Services.

Registrant's receipt of Additional Services raises potential conflicts of interest. In providing Additional Services to Registrant, *Ameritrade* most likely considers the amount and profitability to *Ameritrade* of the assets in, and trades placed for, Registrant's client accounts maintained with *Ameritrade*. *Ameritrade* has the right to terminate the Additional Services Addendum with Registrant, in its sole discretion, provided certain conditions are met. Consequently, in order to continue to obtain the Additional Services from *Ameritrade*, Registrant may have an incentive to recommend to its clients that the assets under management by Registrant be held in custody with *Ameritrade* and to place transactions for client accounts with *Ameritrade*. Registrant's receipt of Additional Services does not diminish its duty to act in the best interests of its clients, including seeking best execution of trades for client accounts.

**The Registrant's Chief Compliance Officer, Richard Sowden, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.**

## 2. Schwab Referrals

Registrant receives client referrals from *Schwab* through Registrant's participation in Schwab Advisor Network™ ("the Service"), designed to help investors find an independent investment advisor. *Schwab* is a broker-dealer independent of an

unaffiliated with Registrant. *Schwab* does not supervise Registrant and has no responsibility for Registrant's management of clients' portfolios or Registrant's other advice or services. Registrant pays *Schwab* fees to receive client referrals through the Service. Registrant's participation in the Service may raise potential conflicts of interest described below.

Registrant pays *Schwab* a Participation Fee on all referred clients' accounts that are maintained in custody at *Schwab* and a Non-*Schwab* Custody Fee on all accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by Registrant is a percentage of the fees owed by the client to Registrant or a percentage of the value of the assets in the client's account, subject to a minimum Participation Fee. Registrant pays *Schwab* the Participation Fee for so long as the referred client's account remains in custody at *Schwab*. The Participation Fee is billed to Registrant quarterly and may be increased, decreased or waived by *Schwab* from time to time. The Participation Fee is paid by Registrant and not by the client. Registrant has agreed not to charge clients referred through the Service fees or costs greater than the fees or costs Registrant charges clients with similar portfolios (pursuant to Registrant's standard fee schedule as in effect from time to time) who were not referred through the Service.

Registrant generally pays *Schwab* a Non-*Schwab* Custody Fee if custody of a referred client's account is not maintained by, or assets in the account are transferred from *Schwab*, unless the client was solely responsible for the decision not to maintain custody at *Schwab*. The Non-*Schwab* Custody Fee is a one-time payment equal to a percentage of the assets placed in custody other than at *Schwab*. The Non-*Schwab* Custody Fee is higher than the Participation Fees Registrant generally would pay in a single year. Thus, Registrant will have an incentive to recommend that client accounts be held in custody at *Schwab*.

The Participation and Non-*Schwab* Custody Fees will be based on assets in accounts of Registrant's clients who were referred by *Schwab* and those referred clients' family members living in the same household. Thus, Registrant will have incentives to encourage household members of clients referred through the Service to maintain custody of their accounts and execute transactions at *Schwab* and to instruct *Schwab* to debit Registrant's fees directly from the accounts.

For accounts of Registrant's clients maintained in custody at *Schwab*, *Schwab* will not charge the client separately for custody but will receive compensation from Registrant's clients in the form of commissions or other transaction-related compensation on securities trades executed through *Schwab*. *Schwab* also will receive a fee (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades to be executed through *Schwab* rather than another broker-dealer. Registrant nevertheless acknowledges its duty to seek best execution of trades for client accounts. Trades for client accounts held in custody at *Schwab* may be executed through a different broker-dealer than trades for Registrant's other clients. Thus, trades for accounts custodied at *Schwab* may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

**The Registrant's Chief Compliance Officer, Richard Sowden, remains available to address any questions that a client or prospective may have regarding the**

**above arrangement and any corresponding conflict of interest such arrangement may create.**

**TD AdvisorDirect**

Registrant may receive client referrals from *Ameritrade* through its participation in *Ameritrade* AdvisorDirect. In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, Registrant may have been selected to participate in AdvisorDirect based on the amount and profitability to *Ameritrade* of the assets in, and trades placed for, client accounts maintained with *Ameritrade*. *Ameritrade* is a discount broker-dealer independent of and unaffiliated with Registrant and there is no employee or agency relationship between them. *Ameritrade* has established AdvisorDirect as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. *Ameritrade* does not supervise Registrant and has no responsibility for Registrant's management of client portfolios or Registrant's other advice or services. Registrant pays *Ameritrade* an on-going fee for each successful client referral. This fee is usually a percentage (not to exceed 25%) of the advisory fee that the client pays to Registrant ("Solicitation Fee"). Registrant will also pay *Ameritrade* the Solicitation Fee on any advisory fees received by Registrant from any of a referred client's family members, including a spouse, child or any other immediate family member who resides with the referred client and hired Registrant on the recommendation of such referred client. Registrant will not charge clients referred through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass Solicitation Fees paid to *Ameritrade* to its clients. For information regarding additional or other fees paid directly or indirectly to *Ameritrade*, please refer to the *Ameritrade* AdvisorDirect Disclosure and Acknowledgement Form.

Registrant's participation in AdvisorDirect raises potential conflicts of interest. *Ameritrade* will most likely refer clients through AdvisorDirect to investment advisors that encourage their clients to custody their assets at *Ameritrade* and whose client accounts are profitable to *Ameritrade*. Consequently, in order to obtain client referrals from *Ameritrade*, Registrant may have an incentive to recommend to clients that the assets under management by Registrant be held in custody with *Ameritrade* and to place transactions for client accounts with *Ameritrade*. In addition, Registrant has agreed not to solicit clients referred to it through AdvisorDirect to transfer their accounts from *Ameritrade* or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. Registrant's participation in AdvisorDirect does not diminish its duty to seek best execution of trades for client accounts.

**The Registrant's Chief Compliance Officer, Richard Sowden, 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.**

3. The Registrant does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Registrant will not seek better execution

services or prices from other broker-dealers or be able to “batch” the client's transactions for execution through other broker-dealers with orders for other accounts managed by Registrant. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

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

**The Registrant’s Chief Compliance Officer, Richard Sowden, remains available to address any questions that a client or prospective client may have regarding the above arrangement.**

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

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

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

## Item 14      Client Referrals and Other Compensation

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

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

**The Registrant's Chief Compliance Officer, Richard Sowden, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.**

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

## Item 15      Custody

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

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

## **Item 16          Investment Discretion**

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

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

## **Item 17          Voting Client Securities**

- A. Unless the client directs otherwise in writing, the Registrant is responsible for voting client proxies (However, the client shall maintain exclusive responsibility for all legal proceedings or other type events pertaining to the account assets, including, but not limited to, class action lawsuits.). The Registrant shall vote proxies in accordance with its Proxy Voting Policy, a copy of which is available upon request. The Registrant shall monitor corporate actions of individual issuers and investment companies consistent with the Registrant's fiduciary duty to vote proxies in the best interests of its clients. Although the factors which Registrant will consider when determining how it will vote differ on a case by case basis, they may, but are not limited to, include the following: a review of recommendations from issuer management, shareholder proposals, cost effects of such proposals, effect on employees and executive and director compensation. With respect to individual issuers, the 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), the Registrant may be solicited to vote on matters including the approval of advisory contracts, distribution plans, and mergers. The 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 the Registrant voted on any specific proxy issue is also available upon written request. Requests should be made by contacting the Registrant's Chief Compliance Officer, Richard Sowden.
- B. As set forth in 17A above, the Registrant votes client proxies.

## **Item 18          Financial Information**

- A. The Registrant does not solicit fees of more than \$1,200, per client, six months or more in advance.

- B. The Registrant is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. The Registrant has not been the subject of a bankruptcy petition.

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