

## Item 1 – Cover Page

10-15 Associates, Inc.

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Goshen, NY 10924  
845-294-2080

Date of Brochure: October 14, 2011

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This brochure provides information about the qualifications and business practices of 10-15 Associates. If you have any questions about the contents of this brochure, please contact us at (845) 294-2080. 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 10-15 Associates is also available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can view our Firm's information on this website by searching for 10-15 Associates. You may search for information by using the Firm's CRD number. The CRD number for 10-15 Associates is **113714**.

\*Registration as an investment advisor does not imply a certain level of skill or training.

## **Item 2 – Material Changes**

This Disclosure Brochure is an updated Disclosure Brochure. It was prepared by the company to reflect a change in the company's name.

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## **Item 4 – Advisory Business**

### **General Description of Advisory Firm**

Our Firm's legal name is 10-15 Associates, Inc. However, throughout this Disclosure Brochure we refer to our Firm as "10-15 Associates".

- 10-15 Associates is an investment advisor registered with the United States Securities and Exchange Commission ("SEC") and is a Corporation formed under the laws of the State of New York.
- The Firm's President is Michael DeMatteo and the Firm's Vice President and Chief Compliance Officer is Deborah DeMatteo. Michael and Debbie DeMatteo are the co-owners of the Firm.
  - \* Details regarding their education background and business experience, along with other information, are provided in each of their respective Brochure Supplements. If you do not receive a copy of their Brochure Supplements one will be provided upon your request. You will receive a Brochure Supplement for your advisor representative and other advisor representatives of the Firm that help formulate investment advice for you.
- 10-15 Associates has been registered as an investment advisor since March 5, 1999 with the State of New York, and on May 10, 2002 registered with the SEC. The Firm was founded in 1985 by Michael and Debbie DeMatteo. However, prior to March of 1999 Michael and Debbie were not providing fee-based investment advisory services. All of their financial services were provided through the broker/dealers they were affiliated with during that time frame.
- We provide fee-only investment advisory services through 10-15 Associates. The nature and extent of the specific services provided to clients, including you, will always depend on each client's financial status, objectives and needs, time horizons, concerns, expectations and risk tolerance.
- We consider ourselves to specialize in providing personalized investment management services. Investment management services involve providing clients with continuous and on-going supervision over client accounts. This means that 10-15 Associates will continuously monitor client accounts and make trades in client accounts when we determine that such trades are warranted given the client's investment objectives.
- Certain of 10-15 Associates' personnel are also registered representatives of Purshe Kaplan Sterling Investments (also referred to as PKS in this Disclosure Brochure), a registered broker/dealer, member SIPC/FINRA, and our offices are also PKS branch office locations. More details regarding our affiliation with PKS is provided at Item 5, Item 10 and Item 12 of this Disclosure Brochure.

### **Description of Investment Advisory Services**

#### ***Investment Management Services***

Investment management services involve providing a client with continuous and on-going supervision over one or more of their accounts. This means that we will continuously monitor a client's account and make trades in that account when we determine that such trades are warranted given the client's

investment objectives. Through this service, 10-15 Associates implements a customized and individualized investment program for each client by applying our investment strategy and philosophy. 10-15 Associates shall actively manage a client's investment portfolios in accordance with the client's individual needs, return objectives and risk tolerance.

Investment management services are provided through accounts at Charles Schwab & Company, Inc. as a result of the Firm's participation in the Schwab Institutional platform. Charles Schwab & Company, Inc. is a broker/dealer registered with the SEC, is a member of each of the Financial Industry Regulatory Authority (FINRA) and the Securities Investor Protection Corporation (SIPC), and will serve as the client's qualified custodian and maintain physical custody of all client funds and securities. You must designate 10-15 Associates as your investment advisor on the account(s) you would like us to manage. 10-15 Associates will be granted limited power-of-attorney on each such account to implement trades within that account and (when agreed to by the client) deduct the 10-15 Associates' advisory fees from the account. Please refer to Item 12 for more information regarding the Firm's brokerage arrangements. Please also refer to Item 15 for information regarding custody and Item 16 for an explanation of investment discretion.

Clients are always responsible for notifying 10-15 Associates of any changes to their financial situation or investment objectives. At least annually, we will contact each client for the specific purpose to determine whether the client's financial situation or investment objectives have changed, or if the client would like to impose and/or modify any reasonable restrictions on our management of their accounts. We are always reasonably available to consult with clients relative to the status of their accounts. A client's beneficial interest in a security does not represent an undivided interest in all the securities held by the custodian, but rather represents a direct and beneficial interest in the securities which comprise the accounts. A separate account is always maintained for each client with the broker-dealer/custodian, and as between the client and our firm, the client retains all rights of ownership to their accounts (e. g. right to withdraw securities or cash, exercise or delegate proxy voting, and receive transaction confirmations).

It is important that you understand that 10-15 Associates manages investments for other clients and may give them advice or take actions for them or for our personal accounts that is different from the advice we provide to you or actions we take for you. We are not obligated to buy, sell or recommend to you any security or other investment that we may buy, sell or recommend for any other clients or for our own accounts.

Conflicts may arise in the allocation of investment opportunities among accounts that we manage. We strive to allocate investment opportunities believed appropriate for your account(s) and other accounts advised by our Firm among such accounts equitably and consistent with the best interests of all accounts involved. However, there can be no assurance that a particular investment opportunity that comes to our attention will be allocated in any particular manner. If we obtain material, non-public information about a security or its issuer that we may not lawfully use or disclose, we have absolutely no obligation to disclose the information to any client or use it for any client's benefit.

See Item 5 of this Brochure for fee descriptions.

### ***Non-Investment Consulting/Implementation Services***

10-15 Associates **does not** hold itself out as providing financial planning, estate planning, or insurance planning services. To the extent specifically requested by a client, we may consider offering limited consultation services on investment and non-investment related matters that are generally ancillary to the

investment management process, such as estate planning, tax planning, insurance, etc. Any such consultation services, to the extent rendered, shall be rendered exclusively on an unsolicited basis, for which the Firm shall not receive any separate or additional fee.

Neither 10-15 Associates, nor any of its advisor representatives, are attorneys or accountants and no portion of the Firm's services should be construed as legal or accounting services. For those clients who determine that they require accounting services, 10-15 Associates has entered into an arrangement with Cooper Niemann & Co. CPAs LLC, a third-party accounting firm not otherwise affiliated with 10-15 Associates. Through this arrangement our clients may have their tax returns completed by Cooper Niemann & Co. CPAs LLC. Fees charged by the accounting firm are paid by 10-15 Associates. Therefore, the service is provided complimentary to our clients. Although we pay for this service, none of our employees help with the tax returns and our clients will work directly with Cooper Niemann & Co. CPAs. LLC.

To the extent requested by a client, 10-15 Associates may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, insurance, etc.). Clients are under no obligation to engage the services of any such recommended professional including Cooper Niemann & Co. CPAs LLC. Clients retain absolute discretion over all such implementation decisions and are free to accept or reject any recommendation from 10-15 Associates.

#### **Limits Advice to Certain Types of Investments.**

When providing investment management services, the Firm will typically construct the holdings in each client's account using one or more of the following types of investments:

- No-Load (i.e. no trading fee) and Load-Waived (i.e. trading fee waived) Mutual Fund Shares
- Individual equity positions including exchange-listed securities and securities traded over-the-counter (i.e. stocks)
- Fixed income securities (i.e. bonds)
- Closed-End Funds and Exchange Traded Funds (ETFs)
- Corporate debt securities (other than commercial paper)
- Certificates of deposit
- Municipal securities
- Variable life insurance
- Variable annuities
- United States government securities
- Options contracts on securities
- American depository receipts (ADRs)
- Master Limited Partnerships (MLPs)

10-15 Associates does **not** provide advice on issues traded on foreign markets, warrants, commercial paper, options contracts on commodities, futures contracts on tangibles or intangibles, interests in partnerships investing in real estate, or hedge funds and other types of private (i.e. non-registered) securities.

It is not 10-15 Associates' typical investment strategy to attempt to time the market but we may increase cash holdings modestly as deemed appropriate, based on your risk tolerance and our expectations of market behavior. We may modify our investment strategy to accommodate special situations like: low basis stock, stock options, legacy holdings, inheritances, closely held businesses, collectibles, special tax

situations and concentrated company stock positions (we have some with clients with accounts containing a significant portion in their employer's company stock).

(Please refer to Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss for more information.)

### **Tailor Advisory Services to Individual Needs of Clients**

10-15 Associates' services to a client are always provided based on the individual needs of that client. We work with each client on a one-on-one basis through interviews and questionnaires to determine the client's investment objectives and suitability information. You are given the ability to impose restrictions on the accounts we manage for you, including specific investment selections and sectors.

### **Client Assets Managed by 10-15 Associates**

The amount of clients assets managed by 10-15 Associates totaled \$437,757,547.00 as of December 31, 2010. Of that total, \$402,423,695.00 is managed on a discretionary basis and \$35,333,852.00 is managed on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

In addition to the information provided in Item 4 ("Advisory Business"), this section provides details regarding our Firm's services along with descriptions of each service's fees and compensation arrangements. Please note that lower fees for comparable services may be available from other sources.

### **Fees for Investment Management Services**

Clients are charged for our investment management services based upon a percentage (%) of the market value of the assets placed under the Firm's management.

**The annual fee charged to a client generally never exceeds 1.00% and is negotiable.** Negotiating factors include the client's financial situation and circumstances, the amount of assets under management, and the complexity of the services provided. The actual fee charged to each client will be detailed in the fee schedule attached to the Investment Advisory Agreement between 10-15 Associates and the client. At the discretion of 10-15 Associates, the fee will be automatically discounted to 0.75% for clients who work for or retire from companies from which 10-15 Associates has a large number of existing clients. The discount is immediate as is not contingent upon account size or investments chosen.

The Firm's annual investment advisory fee is prorated for initial and final months. The annual fee is divided and paid monthly, in arrears, based upon the market value of the assets on the last business day of the previous month.

We generally require a minimum annual fee of \$750.00. However, solely at our discretion, we may reduce the minimum fee and/or charge a lesser investment 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, negotiations with client, etc.).

Fees are deducted directly from the client's account by the account custodian. Clients must provide their account custodian with written authorization to have fees deducted from their account and paid to 10-15

Associates. See Item 16 of this Disclosure Brochure for information regarding custody. Client may not pay our fee directly.

### ***Other Fees and Expenses***

Brokerage commissions and/or transaction ticket fees charged by Charles Schwab & Co., Inc. (Charles Schwab) will be billed directly to the client. In addition, clients may incur certain charges imposed by third parties other than 10-15 Associates in connection with investments made through the account, including but not limited to, mutual fund sales loads, 12b-1 fees and surrender charges, variable annuity fees and surrender charges, and IRA and qualified retirement plan fees. Fees charged by 10-15 Associates are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to clients. A description of these fees and expenses are available in each investment company security's prospectus.

#### **Shareholder Servicing Fees and 12b-1 Fees**

**Shareholder Servicing Fees:** 10-15 Associates has an arrangement with Charles Schwab and Purshe Kaplan Sterling Investments (PKS) whereby Charles Schwab pays PKS a fee equal to a fixed percentage of the total assets in certain mutual funds bought by 10-15 Associates in client accounts. PKS then remits a portion of that fee to those 10-15 Associates personnel who are also registered representatives of PKS. The fee that Charles Schwab pays PKS represents a significant portion of the shareholder servicing fees that Charles Schwab receives from each respective mutual fund sponsor. For mutual fund positions held by individual retirement accounts or accounts subject to the Employee Retirement Income Security Act of 1974 (ERISA Accounts), 10-15 Associates will offset such shareholder servicing fees received from Charles Schwab from the amount of advisory fee payable by the ERISA Account or will pay this fee directly to the ERISA Account. Because certain of 10-15 Associates' personnel receive an economic benefit from this arrangement, the Firm has a potential **conflict of interest** in recommending to clients that they use Charles Schwab to act as custodian to hold these funds in their account. Shareholder servicing fees received by the Firm's personnel are in addition to the Firm's annual advisory fee.

**12b-1 Fees** Although not a material consideration when selecting a particular mutual fund for a client account, certain of the Firm's personnel, in their individual capacities as registered representatives of PKS, an SEC registered and FINRA member broker-dealer may also receive a portion of the 12b-1 mutual fund distribution fees paid by the mutual fund sponsor for as long as the client maintains the mutual fund investment. These 12b-1 fees are in addition to the Firm's annual advisory fee.

**10-15 Associates' Chief Compliance Officer, Deborah DeMatteo, remains available to address any questions that a client or prospective may have regarding the above arrangements and any corresponding conflict of interest any such arrangement may create.**

### ***Termination of Services***

The Investment Advisory Agreement between 10-15 Associates and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the Investment Advisory Agreement. Upon termination, the client shall be responsible for the final month's fee which shall be pro-rated based upon the number of days remaining in the billing month. The value of account assets on the date of termination will be used to calculate the final fee.



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

Item 6 of the Form ADV Part 2 instructions is not applicable to this Disclosure Brochure because 10-15 Associates **does not charge or accept performance-based fees** which can be defined as fees based on a share of capital gains on or capital appreciation of the assets held within a client's account.

## **Item 7 – Types of Clients**

10-15 Associates generally provides investment advice to Individuals and High Net-Worth Individuals (clients with \$1.5 million net worth and/or at least \$750,000 under our Firm's management). We also provide advice to individual clients' trusts and estates.

All clients are required to execute an agreement for services in order to establish a client arrangement with 10-15 Associates and a separate custodial/clearing agreement with Charles Schwab & Company, Inc.

### **Minimum Investment Amounts Required**

10-15 Associates generally requires a minimum annual fee of \$750.00. However, the Firm, in its sole discretion, may reduce its minimum fee and/or charge a lesser investment 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, negotiations with client, etc.).

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

### **10-15 Associates uses the following method of analysis in formulating investment advice.**

When formulating investment advice and recommendations we primarily use **Fundamental** analysis which can be described as a method of evaluating a security by attempting to measure its intrinsic value by examining related economic, financial and other qualitative and quantitative factors. Fundamental analysts attempt to study everything that can affect the security's value, including macroeconomic factors (like the overall economy and industry conditions) and individually specific factors (like the financial condition and management of companies). The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price in hopes of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short). This method of security analysis is considered to be the opposite of technical analysis. Fundamental analysis is about using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.

The risk associated with fundamental analysis is that it is somewhat subjective. While a quantitative approach is possible, fundamental analysis usually entails a qualitative assessment of how market forces interact with one another in their impact on the investment in question. It is possible for those market forces to point in different directions, thus necessitating an interpretation of which forces will be dominant. This interpretation may be wrong, and could therefore lead to an unfavorable investment decision.

**10-15 Associates uses the following investment strategies when managing client assets and/or providing investment advice.**

- Long term purchases - Investments held at least a year.
- Short term purchases - Investments sold within a year.
- Option writing including covered options, uncovered options, or spreading strategies. Options are contracts giving the purchaser the right to buy or sell a security, such as stocks, at a fixed price within a specific period of time.
- Tactical asset allocation which allows for a range of percentages in each asset class (such as Stocks = 40-50%). These are minimum and maximum acceptable percentages that permit the investor to take advantage of market conditions within these parameters. Thus, a minor form of market timing is possible, since the investor can move to the higher end of the range when stocks are expected to do better and to the lower end when the economic outlook is bleak.
- Strategic asset allocation which calls for setting target allocations and then periodically rebalancing the portfolio back to those targets as investment returns skew the original asset allocation percentages. The concept is akin to a “buy and hold” strategy, rather than an active trading approach. Of course, the strategic asset allocation targets may change over time as the client’s goals and needs change and as the time horizon for major events such as retirement and college funding grow shorter.

**Risk of Loss**

Clients must understand that past performance is not indicative of future results. Therefore, current and prospective clients (including you) should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities (including stocks, mutual funds, and bonds) involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. Clients and prospective clients should be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, our Firm is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. There are certain additional risks associated when investing in securities through our investment management program.

- Market Risk – Markets as a whole decrease in value. This is also referred to as systemic risk.
- Equity (stock) market risk – Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.

- Company Risk. When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.
- Fixed Income Risk. When investing in bonds, there is the risk that issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.
- Options Risk. Options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.
- ETF and Mutual Fund Risk – When our Firm invests in a an ETF or mutual fund, it will bear additional expenses based on its pro rata share of the ETFs or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. Clients will also incur brokerage costs when purchasing ETFs.
- Management Risk – Your investment with our Firm varies with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment will decrease.

#### **Item 9 – Disciplinary Information**

We do not have any information to disclose in response to this Item 9.

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

10-15 Associates is a investment advisory firm only, and it solely provides investment advisory services. The Firm is not engaged in any other business activities and offers no other services than those described in this Disclosure Brochure. We do not have any arrangements whereby we recommend (or refer) clients to a third-party investment advisor, nor do we receive referrals from a third-party investment advisor.

10-15 Associates is **not** and does **not** have a related company that is a (1) broker/dealer, municipal securities dealer, government securities dealer or broker, (2) investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund), (2) other investment adviser or financial planner, (3) futures commission merchant, commodity pool operator, or commodity trading advisor, (4)

banking or thrift institution, (5) accountant or accounting firm, (6) lawyer or law firm, (7) pension consultant, (8) real estate broker or dealer, or (9) sponsor or syndicator of limited partnerships.

While 10-15 Associates does not sell products or services other than investment advice, our investment advisor representatives may sell other products or provide services outside of their role with 10-15 Associates. Our investment advisor representatives concentrate the majority of their efforts toward the provision of investment advisory services.

### **Insurance Activities**

Certain of the firm's personnel are licensed to provide insurance services to clients. Insurance products may be provided by such personnel to a client for personal, estate and business needs to minimize that client's exposure to identified risks. Although no client is under any obligation to purchase insurance products recommended by 10-15 Associates' personnel in their separate capacities and insurance agents, clients often purchase such products through such personnel when needs arise. For clients of 10-15 Associates who purchase products causing commissions to be generated from such purchases, these commissions are paid to the specific 10-15 Associates personnel in their separate capacities as insurance agents. The amount of time that these insurance licensed personnel spend on this activity varies throughout the year.

This activity represents a conflict of interest and gives such firm personnel an incentive to recommend the purchase of insurance products for a client account based on that person's ability to receive compensation from such a purchase, rather than based on a client's needs. However, we believe that we have addressed this conflict by (a) requiring that such firm personnel ensure that any such transaction will be on commercially reasonable terms that are generally consistent with industry standards, and (b) neither requiring nor expecting that a client will purchase any such insurance product from or through such firm personnel. In addition, those firm personnel who are able to sell insurance products must maintain compliance with applicable rules and regulations that govern the sale of such products.

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

### **Registered Representatives with PKS**

Certain of our Firm's personnel are also registered representatives of Purshe Kaplan Sterling Investments (PKS). Although this does not constitute a significant portion of their time, and although they are not actively seeking new PKS client arrangements, some clients of 10-15 Associates (and some non 10-15 Associates clients) have engaged them (but not the Firm and not in their capacities as investment advisor representatives of 10-15 Associates) in their separate capacities as registered representatives of PKS, to render securities brokerage services under a commission arrangement between the client and PKS.

Brokerage commissions are charged by PKS to effect these securities transactions and, thereafter, a portion of these commissions will be paid by PKS to our investment advisor representatives as registered representatives of PKS. The client is required by PKS to enter into a PKS new account agreement. The brokerage commissions charged by PKS may be higher or lower than those charged by other broker/dealers. In addition, firm personnel who are also PKS registered representatives may also receive additional ongoing 12b-1 fees for mutual fund purchases from the mutual fund company during the period that the client maintains the mutual fund investment. Compensation to our investment advisor representatives from PKS may be more or less depending on the product or service the investment

advisor representative recommends. This represents a conflict of interest in that the investment adviser representative may have a financial incentive to recommend a particular investment over others depending on the potential commission to be earned by that investment adviser representative through their relationship with PKS.

Depending on the type of PKS account that could be used to implement a financial plan or investment the client can be charged: commissions, mark-ups and mark-downs, transaction charges, confirmation charges, small account fees, mutual fund 12b-1 fees, mutual fund sub-transfer agency fees, hedge fund managed futures, and variable annuity investor servicing fees, retirement plan fees.

Nonetheless, we believe that we have addressed this conflict of interest because clients are under no obligation to purchase products recommended by investment advisor representatives or to purchase products either through 10-15 Associates or PKS.

## **Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading**

### **Code of Ethics Summary**

10-15 Associates has implemented an investment policy relative to personal securities transactions. This investment policy is part of the Firm's overall Code of Ethics which serves to establish a standard of business conduct for all of the Firm's associated persons that is based upon fundamental principles of openness, integrity, honesty and trust. We will provide a copy of our Code of Ethics to any client or prospective client upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, 10-15 Associates maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Firm or any person associated with 10-15 Associates.

### **Affiliate and Employee Personal Securities Transactions Disclosure**

10-15 Associates or its associated persons may buy or sell for their personal accounts, investment products identical to those recommended to clients. This creates a potential conflict of interest in the sense that it is remotely possible that the firm or its personnel may benefit financially from a transaction effected for a client account, although the volume of such securities transactions have not and do not rise to the level where any transaction in the account of either of the firm or any firm personnel has any appreciable impact on the market value of a security. It is the express policy of 10-15 Associates that all persons associated in any manner with the Firm must place the interests of our clients ahead of their own when implementing personal investments. 10-15 Associates and its associated persons shall not buy or sell securities for their personal account(s) where their decision is derived, in whole or in part, by information obtained as a result of his/her employment unless the information is also available to the investing public upon reasonable inquiry. In order to minimize this conflict of interest, securities recommended by 10-15 Associates are widely held and publicly traded. We also require that all personnel act in accordance with all applicable federal and state regulations governing registered investment advisory practices. Any individual not in observance of the above may be subject to termination.

In addition, the firm and/or any person related to the firm, may recommend securities to clients, or buy or sell securities for client accounts, at or about the same time that the firm or the person related to the firm buys or sells the same securities for the account of the firm or the firm's related person. This presents a

conflict of interest because the firm or the related person may benefit financially as a result of transactions in that same security that occur in the client account. Similarly, the value of the security held in the client's account may be detrimentally impacted by transactions in that same security that occur in the firm's account or the account of the firm's related person. The firm believes that it has addressed this conflict of interest through its internal compliance policies as described in the paragraph that immediately precedes this paragraph.

## **Item 12 – Brokerage Practices**

You are reminded that you are not *required* to implement investment advice through 10-15 Associates or through our investment advisor representatives in their separate capacities as registered representatives of PKS. You can use any investment advisor or broker/dealer you would like. Subject to the next sentence, as disclosed at Item 10 of this Disclosure Brochure, it is possible for you to obtain commission-based brokerage products through one of our investment advisor representatives in their capacity as registered representatives of PKS so long as you open a PKS brokerage account. However, those investment advisor representatives are not actively establishing new brokerage arrangements through PKS and therefore if you are interested in a commission-based brokerage arrangement, we may not be the best fit for your situation. We do not offer any fee-based, investment advisory services through PKS.

If you would like to establish a managed account through our Firm, Charles Schwab will be used. Therefore, when you sign an Investment Advisory Agreement, you will also need to establish a brokerage account with Charles Schwab if you do not already have an account at Charles Schwab. Charles Schwab is a registered broker-dealer, member SIPC, and will maintain custody of your assets and provide execution of securities transactions.

Please note that not all investment advisors require the use of a specific broker/dealer. Some investment advisors allow clients to select the broker/dealer. However, for compliance and operational efficiency purposes, we have decided to require all clients open accounts through Charles Schwab when participating in the Firm's investment management services. We cannot guarantee that the costs of using Charles Schwab are the lowest in the industry and there may be other brokerage platforms less expensive than Charles Schwab.

On at least an annual basis, we will review alternative custodians in the marketplace for comparison to the currently used custodian, evaluating criteria such as overall expertise, cost competitiveness and financial condition. Quality of execution for custodians will be reviewed through trade journal evaluations. No single criteria will validate nor invalidate a custodian, but rather, all criteria taken together will be used in evaluating the currently utilized custodian. We do not receive any client referrals from Charles Schwab.

The decision to require Charles Schwab is based on the Firm's participation in Schwab Institutional. 10-15 Associates is independently owned and operated and not affiliated with Charles Schwab. Through the Schwab Institutional platform, 10-15 Associates is provided with access to Charles Schwab's institutional trading and custody services, which are typically not available to Charles Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of Firm clients' assets is maintained in accounts at Schwab Institutional and is not otherwise contingent upon 10-15 Associates committing to Charles Schwab any specific amount of business (assets in custody or trading). Charles Schwab's services include brokerage, custody, research and access to mutual funds and other investments that are

otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For 10-15 Associates' clients' accounts maintained in its custody, Charles Schwab does not charge separately for custody but is compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through Charles Schwab or that settle into Charles Schwab accounts.

Charles Schwab also makes available to 10-15 Associates other products and services that benefit 10-15 Associates but may not benefit its clients' accounts. Some of these other products and services assist 10-15 Associates in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmation and account statements); facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts); provide research, pricing information and other market data; facilitate payment of advisory fees from its clients' accounts; and assist with back-office functions; recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of 10-15 Associates accounts. Schwab Institutional also makes available to 10-15 Associates other services intended to help 10-15 Associates manage and further develop its business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing. In addition, Charles Schwab may make available, arrange and/or pay for these types of services rendered to 10-15 Associates by independent third party providing these services to 10-15 Associates. While as a fiduciary, 10-15 Associates endeavors to act in its clients' best interests, and while the recommendation that clients maintain their assets in accounts at Charles Schwab may be based in part on the benefit to 10-15 Associates of the availability of some of the foregoing products and services; nevertheless, these products and services by facilitating the Firm's workload are also effectively benefiting our clients as well.

The foregoing may be perceived to be a conflict of interest. When we receive a benefit from a broker-dealer or custodian we do not have to produce or pay for that benefit. We arguably would have an incentive to select or recommend a broker-dealer based on our interest in receiving the benefit(s), rather than on the client's interest in receiving most favorable execution. However, the firm feels that it has addressed this conflict because our clients do not pay more for investment transactions effected and/or assets maintained at a particular broker-dealer or custodian as result of our receipt of such benefit(s). There is no corresponding commitment made by us to any other any entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities, or other investment products as result of us receiving these benefits. Further, and most importantly, the benefits received are available to any investment manager executing securities transactions through the broker-dealer, regardless of the volume of execution.

### **Prime Broker Services**

Through our relationship with Schwab, we can use the Charles Schwab Prime Broker service. This allows us to place trades with other broker/dealers without the need to have individual accounts with the other broker/dealers. The use of Prime Broker allows greater flexibility to access more fixed income products, ability to access Initial Public Offerings (IPOs), and the ability to access new issue bonds. All assets will be kept in a Schwab account with all confirmations and statements generated by Charles Schwab.

We select other broker/dealers based on the quality of research, services, products offered, execution and commission structures. Both discount and full service broker/dealers may be used, but the lowest cost broker/dealer may not always be utilized. We have not entered into any formal soft-dollar arrangements nor do we receive any referrals from broker/dealers available through the Charles Schwab Prime Broker service.

Please refer to Item 16 – Investment Discretion for more information.

### **Trade Errors**

We have implemented procedures designed to prevent trade errors; however, trade errors in client accounts cannot always be avoided. Consistent with its fiduciary duty, it is the policy of our Firm to correct trade errors in a manner that is in the best interest of the client. In cases where the client causes the trade error, the client will be responsible for any loss resulting from the correction. Depending on the specific circumstances of the trade error, the client may not be able to receive any gains generated as a result of the error correction. In all situations where the client does not cause the trade error, the client will be made whole and any loss resulting from the trade error will be absorbed by 10-15 Associates if the error was caused by us. If the error is caused by Charles Schwab, they will be responsible for covering all trade error costs. If an investment gain results from the correcting trade, the gain will remain in the client's account unless the same error involved other client account(s) that should also receive the gains and it is not permissible for all clients to retain the gain. We may also confer with clients to determine if the client should forego the gain (e.g., due to tax reasons).

10-15 Associates will never retain any portion of any gains made as a result of trade error corrections or profit in any way from trade errors.

If the gain does not remain in the account, Charles Schwab will donate the amount of any gain \$100 and over to charity. If a loss occurs greater than \$100 due to an error made by our Firm, we will pay for the loss. Charles Schwab will maintain the loss or gain (if such gain is not retained in the client's account) if it is under \$100 to minimize and offset its administrative time and expense. Generally, if related trade errors result in both gains and losses in an account, they may be netted.

If the gain does not remain in the account and the account is held by custodian other than Charles Schwab, the client's broker/dealer or custodian may retain gains that may result from correcting a trade error and in some instances may use such gains to offset overall losses the broker/dealer or custodian incurs from trading errors.

### **Aggregation of Client Orders-Block Trading Policy**

Transactions we implement for client accounts are generally effected on an aggregated basis, meaning that where we have the opportunity to purchase or sell the same securities for several clients at approximately the same time we will do so. This process is also known as batch trading or block trading and is used by the Firm when we believe such action may prove advantageous to clients. When we aggregate client orders, the allocation of securities among client accounts will be done on a fair and equitable basis. Typically, the process of aggregating client orders is done in order to achieve better execution, to negotiate more favorable commission rates or to allocate orders among clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among the Firm's clients in proportion to the purchase and sale



orders placed for each client account on any given day. When we determine to aggregate client orders for the purchase or sale of securities, including securities in which we may invest, we will do so in accordance with the parameters set forth in the SEC No-Action Letter, *SMC Capital, Inc.* It should be noted, we do not receive any additional compensation or remuneration as a result of aggregation.

### **Item 13 – Review of Accounts**

#### **Account Reviews and Reviewers**

For those clients to whom 10-15 Associates provides investment supervisory services, account reviews are conducted on an ongoing basis by the Firm's Principals and/or Associated Persons. All investment supervisory clients are advised that it remains their responsibility to advise 10-15 Associates of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review investment objectives and account performance with the Firm on an annual basis.

#### **Statements and Reports**

Clients are provided with written transaction confirmation notices and regular summary account statements directly from Charles Schwab & Company, Inc. We do **not** provide regular performance or position reports.

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

#### **Client Referrals**

10-15 Associates does not directly or indirectly compensate anybody for client referrals.

#### **Other Compensation**

- Please refer to the "Other Fees and Expenses" section of Item 5 of this Disclosure Brochure for information regarding the portion of shareholder servicing fees and 12b-1 fees our investment advisor representatives, in their separate capacities as PKS registered representatives, retain.
- As stated in Item 10 of this Disclosure Brochure, our investment advisor representatives are also insurance agents and may help clients purchase insurance products. When doing so, our investment advisor representatives will receive normal commissions. Please refer back to Item 10 for more details.
- Please refer to Item 12 of this Disclosure Brochure for full details regarding our participation in the Schwab Institutional platform and the resulting benefits we receive.

### **Item 15 – Custody**

Custody, as it applies to investment advisors, has been defined by regulators as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds and securities. If an investment advisor has the ability to access or control client funds or securities, the investment advisor is deemed to have custody and must ensure proper procedures are implemented.

10-15 Associates is deemed to have custody of client funds and securities whenever 10-15 Associates is given the authority to have fees deducted directly from client accounts. However, this is the only form of custody 10-15 Associates will ever maintain. It should be noted that authorization to trade in client accounts is not deemed by regulators to be custody.

For accounts in which 10-15 Associates is deemed to have custody, the Firm has established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the establishment of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained. Finally, account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. Clients should carefully review those statements and are urged to compare the statements against any reports that may be provided directly from 10-15 Associates. When clients have questions about their account statements, they should contact 10-15 Associates or the qualified custodian preparing the statement.

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

Through its investment management services and upon receiving written authorization from a client, 10-15 Associates will maintain trading authorization over client accounts. Upon receiving written authorization from the client, 10-15 Associates may implement trades on a **discretionary** basis. When discretionary authority is granted, 10-15 Associates will have the authority to determine the type of securities, the amount of securities that can be bought or sold, and the broker or dealer to be used for the client's portfolio without obtaining the client's consent for each transaction. However, it is the policy of 10-15 Associates to consult with the client prior to making significant changes in the account even when discretionary trading authority is granted by the client.

All clients have the ability to place reasonable restrictions on the types of investments that may be purchased in an account.

We may elect to purchase bonds through bond broker/dealers in order to obtain a better price for the client and then have the bonds delivered into the client's brokerage account. This practice is conducted through the Charles Schwab Prime Brokerage Service. This is the only case in which we select a broker/dealer to be used without specific client consent. Charles Schwab charges the client a Prime Brokerage Service Fee per order entered at an executing broker/dealer by 10-15 Associates. The Prime Brokerage Service Fee will be charged to the client's account. To participate in this platform our clients must first execute the Charles Schwab Brokerage Account Agreement - Prime Brokerage Amendment form before we can execute trades at broker/dealers other than Charles Schwab that settle in the client's Charles Schwab account. See Item 12 for additional information regarding the Charles Schwab Prime Brokerage Service.

We actively try to negotiate the transaction costs our clients assessed by Charles Schwab.

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

10-15 Associates will not vote proxies on behalf of your account. While there are some investment advisors that will vote proxies and other corporate decisions on behalf of their clients, we have determined that taking on the responsibility for voting client securities does not add enough value to the services provided to clients to justify the additional compliance and regulatory costs associated with

voting client securities. Therefore, it is your responsibility to vote all proxies for securities held in accounts managed by our Firm.

Clients will receive proxies directly from their custodian or transfer agent and such documents will not be delivered by our Firm. Although we do not vote client proxies, if you have a question about a particular proxy feel free to contact us.

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

We do not have any information to disclose in response to this Item 18.