

Item 1 – Cover Page

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Date of this Brochure: March 31, 2012

This Brochure provides information about the qualifications and business practices of NORTHEAST ASSET MANAGEMENT INC. (the “Adviser”). If you have any questions about the contents of this Brochure, please contact Steve Perrone at (516)396-1619 or [steve@nesec.com](mailto:steve@nesec.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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

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

## **Item 2 – Material Changes**

The Adviser has made numerous changes to the last version of this Brochure dated March 31, 2011. For many Items, new content has been added in addition to edited and reorganized text. The Adviser recommends that clients read the entire Brochure due to the extensive changes that have been made. However, set forth below is a summary of the material changes that have been made:

Item 4 (Advisory Business): This Item was clarified to better describe the Adviser's advisory and financial planning business, as well as the ability of clients to open accounts on both a discretionary and non-discretionary basis. The amount of the Adviser's assets under management was updated to December 31, 2011.

Item 5 (Fees and Compensation): This Item was clarified to better describe the Adviser's asset-based fee schedules as well as how fees are paid by clients. Other applicable fees, such as transaction fees and mutual fund fees, which are additional to the asset-based fees were also described in more detail. A section was added describing a conflict of interest related to fees payable by the Adviser's parent, Northeast Securities, Inc. ("NES") to investment adviser representatives ("IARs") for transactions in certain products.

Item 8 (Methods of Analysis, Investment Strategies and Risk of Loss): This Item was updated to more clearly describe the types of products the Adviser may recommend as well as how a client portfolio might be constructed. Major risk categories relating to these investments are described.

Item 10 (Other Financial Industry Activities and Affiliations): This Item was updated to describe other NES-related businesses and how they may present a conflict of interest to the Adviser.

Item 11 (Code of Ethics, Participation or Interest in Client Transactions and Personal Trading): This Item was clarified to better describe riskless principal and agency cross transactions that NES may undertake for advisory clients, as well as conflicts of interest that IAR's may have in regard to trading of their own personal accounts.

Item 12 (Brokerage Practices): This Item was updated to detail factors that IARs consider when selecting or recommending broker-dealers (including NES) to clients and to reflect the fact that the Adviser does not participate in soft dollar programs. The Adviser's directed brokerage and order aggregation policies are clarified.

Item 13 (Review of Accounts): This Item was updated to detail the types of reports and account reviews that clients will receive.

Item 14 (Client Referrals and Other Compensation): This Item was updated to detail specific arrangements whereby a party who is not a client compensates the Adviser for providing services to clients (i.e., payment of 12b-1 distribution fees to IARs and selling agreements with other investment advisers whereby IARs may receive compensation).

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

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

Currently, our Brochure may be requested by contacting the Adviser's Chief Compliance Officer, Diane Hawkins at (516) 396-1639 or by email at [diane@nsec.com](mailto:diane@nsec.com).

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## Item 4 – Advisory Business

- A. General Description of Advisory Firm** – Northeast Asset Management Inc. (the “Adviser”) is a New York corporation with its principal place of business in New York. The Adviser was founded in 1990. The Adviser provides both discretionary and non-discretionary portfolio management and investment advisory services to clients through its investment adviser representatives (“IARs”).

The Adviser is a wholly-owned subsidiary of Northeast Securities, Inc. (“NES”), a FINRA-member broker-dealer. Steve Perrone, the Chairman of NES, is a principal owner of NES.

**All IARs are also registered representatives of NES.** IARs are either associates of the Adviser, or are independent contractors to the Adviser. As described more fully herein, IARs primarily utilize NES to effect client transactions.

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

- Origination of investment ideas;
- buy/sell recommendations for a broad range of securities (including debt, equity, derivative, municipal securities, mutual funds, commercial paper, certificate of deposit, private placements and annuities);
- portfolio management of the client’s entire portfolio, including selection of securities;
- recommendations of unaffiliated third-party advisers (“TPA’s”) and management of those TPA investments, including allocation, reallocation and redemption; and
- financial planning advice, including tax planning, and estate planning.

- C. Availability of Tailored Services for Individual Clients** – The Adviser tailors its advisory services to the individual needs of clients. Clients may impose restrictions on the types of securities they wish to include in their portfolio. Accounts may be managed on a “discretionary” or “non-discretionary” basis, depending on the client’s direction. Discretionary accounts are actively managed on behalf of the clients by each IAR in accordance with their investment goals. For non-discretionary accounts, the IAR will provide investment opportunity ideas to the client for their approval.

- D. Wrap Fee Programs** – The Adviser does not participate in wrap fee programs.

- E. Client Assets Under Management** - As of December 31, 2011 the amount of regulatory assets under management that the Adviser managed on a discretionary basis was approximately **\$120,905,230**. As of December 31, 2011 the amount of regulatory assets under management that the Adviser managed on a non-discretionary basis was approximately **\$32,675,114**.

## Item 5 – Fees and Compensation

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

“**Commission per transaction fees**” are determined upon based on the number of shares traded or a percentage the dollar amount of the trade as determined by the IAR and the customer.

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

- i. First \$100,000 - 2.50%
- ii. \$100,001 to \$250,000 - 2.00%
- iii. \$250,001 to \$500,000 - 1.50%
- iv. \$500,001 to \$1,000,000 - 1.25%
- v. Assets over \$1,000,000 - 1.00%

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

In some cases, asset-based fees are payable in advance, calculated by electronic platforms supplied by the clearing agent based upon a different method of valuing an accounts (i.e. time and dollar weighting). These systems are also programmed to prorate fees for a partial quarter. The fees will be debited from the client account by the Adviser unless otherwise agreed upon. Should the agreement be terminated during the quarter, fees will be prorated and any unearned fees will be returned to the client.

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

Each management fee is negotiated by the IAR on a client-by-client basis. Client circumstances and needs determine the fee schedule. Factors include, but are not limited to, the complexity of the client's account, assets to be placed under management, portfolio style, and commissions charged by the Adviser's affiliated broker-dealer to the client. The specific annual fee schedule will be identified in the investment advisory contract between the Adviser and each client (the “IA Contract”).

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

- B. Payment of Fees** – As described in Item 5A above, management fees charged are deducted from the client accounts by the Adviser. Commission per transaction fees are payable at the time of the transaction, while asset-based fees are payable in advance or in arrears for the prior quarter, depending on the management fee schedule agreed to by the client with IAR. Management fees are prorated for partial quarters.

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

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

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

In addition, when clients invest in funds or pooled investment vehicles such as (but not limited to): hedge funds, real estate funds, oil and gas funds, ETF's and mutual funds, clients will pay the fees charged by those entities, in addition to the management fee charged by the Adviser. These fees will be specifically described in the offering documents or prospectus and may include a management fee, incentive or performance fee, other fund expenses and/or a distribution fee.

Clients are subject to the foregoing fees and expenses regardless of whether any profit is made on investments.

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

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

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

**1.** All of the Adviser's IAR's are also registered representatives of NES. Subject to their duty to seek best execution for clients, IAR's generally recommend NES to clients in need of brokerage services. IAR's may receive separate compensation for these recommendations to NES in conjunction with certain mutual fund transactions (*i.e.*, if only a non-no-load mutual fund is available for purchase) or other atypical transactions. NES does not compensate IARs for referring clients to conduct business through it. (Note that IARs primarily recommend no-load mutual funds, however from time to time may recommend non-no-load mutual funds if a no-load fund is not available.) IAR's may

occasionally recommend or select other investment advisers for clients that are not related persons of the Adviser if the IAR believes it is in the best interest of the client and some of these non-affiliated investment advisers will pay a fee or commission as compensation for referrals. These practices may present a conflict of interest and gives the Adviser and its IAR's an incentive to recommend investment products based on the compensation received, rather than on a client's needs. The Adviser's compliance department monitors compensation practices to ensure that IARs place the interests of the clients above their own.

**2.** While the Adviser has a fiduciary duty to achieve best execution for client transactions, clients should be aware that they have the option to purchase investment products that are recommended by their IAR through other brokers or agents that are not affiliated with the Adviser.

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

**4.** The Adviser will reduce the management fees charged to clients to offset commissions or markups.

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

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

## **Item 7 – Types of Clients**

The Adviser advises clients of all types. Individual, corporate, trust, foundation, partnership and pension are examples of the types of clients advised.

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

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

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

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

Whether an account is managed on a discretionary or non-discretionary basis, the Adviser will generally aim to create a client portfolio consisting of one or all of the following: individual equities, bonds, options, mutual funds, ETFs, closed-end funds or any other security type deemed

to be appropriate for a client. The mutual funds, ETFs and closed-end funds generally will be selected on the basis of a variety of criteria, including: the fund's performance history; the industry sector in which the fund invests; the track record of the fund's manager; the fund's investment objectives; the fund's management style and philosophy; and the fund's management fee structure.

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

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

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

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

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

1. *Illiquidity risk*; lack of a market for a particular investment and therefore clients may not be able to sell an investment at the time that they wish to do so.
2. *Changes in legal, fiscal, and regulatory regimes*; such changes can adversely affect the value of a particular investment.
3. *Nature of a particular investment*; each investment carries individualized risks that clients should evaluate prior to investing and during the entire course of the investment. Certain investments are more risky than others.
4. *Dependence on the advice provided by the IAR*; there is no guarantee that the IAR will provide advice that results in successful performance of an investment. Past performance is not indicative of future returns.
5. *Portfolio concentration*; portfolios that are more concentrated carry higher risk.
6. *Counterparty risk*; certain investments carry counterparty credit risk that should be evaluated prior to investing and during the entire course of the investment.
7. *Investment environment and market risk*; the macro environment for investing and a market's general direction may negatively impact specific investments despite underlying strength in a particular company.
8. *Market volatility risks*; investments may be adversely affected by volatile markets.

Clients should review carefully all offering materials, prospectuses and other investment disclosure documents prior to investing. Clients should additionally review all transaction

confirmations, monthly and year-end statements and bring any discrepancies immediately to the attention of the Compliance Department.

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

In May 2009, the Adviser was found to have been in violation of Florida statute for failing to have its branch properly registered in the state. The Firm was censured and fined \$5,000. The branch has been properly registered.

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

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

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

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

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

**A. Code of Ethics** - The Adviser has adopted a Code of Ethics which sets forth ethical standards of business conduct that the Adviser requires of its employees, including compliance with applicable federal and state securities laws. The Code of Ethics stresses that no person employed by the Adviser shall prefer his/her own interests to those of advisory clients and prohibits the use of material non-public information. The Adviser requires that anyone associated with this advisory practice with access to advisory recommendations, client holdings or other specified information provide annual securities holdings reports and quarterly transaction reports of all reportable transactions to the Adviser's designated officer which will be reviewed on a regular basis by the Adviser's President and/or Chief Compliance Officer (or their designees). All supervised persons at the Adviser must acknowledge the terms of the Code of Ethics annually. The Firm's Code of Ethics provides for sanctions when appropriate.

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

**B. Transactions in Securities where Adviser has a Material Financial Interest** – As previously described in this Brochure, the Adviser's related person, NES is a registered broker-dealer that clients of the Adviser may utilize to execute transactions. In connection with these transactions, NES may undertake riskless principal transactions in connection with fixed income trading, meaning that it buys securities from (or sells securities to) clients but does not take them into inventory. In addition, agency cross transactions are permitted between NES and advisory clients in connection with trading of equities and other securities, however these will only be undertaken in compliance with applicable regulations.

In addition, from time to time, related persons of the Adviser may hold board positions or a material financial interest in companies whose securities are also recommended to clients.

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

**C., D. Investing in Securities Recommended to Clients; Contemporaneous Trading.** The Adviser has no proprietary trading accounts and therefore would not invest in the same (or related) securities that clients are invested in.

The IARs may buy or sell for their personal accounts the same (or related) securities that are also recommended to clients. In addition, the Adviser's related persons may trade in the same (or related) securities that are also recommended to clients. Such trading may be contemporaneous with client recommendations, or may be at a different time. In either case, this presents a conflict of interest both to the Adviser and the IARs because the fiduciary duty to clients must supercede the IAR's or Adviser's own interests.

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

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

## **Item 12 – Brokerage Practices**

- A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions** – IARs may select or recommend different broker-dealers to effect client transactions. Generally, in determining which broker-dealer to use, the Adviser looks at the character of the market for the security, including, but not limited to the security's price, volatility, and liquidity, as well as the size and type of transaction. *However, note that most often, IARs do select NES, its affiliate, to effect client transactions.*

Specifically, in making any such determination, the Adviser may consider a number of factors, including, without limitation:

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

*While the price of a commission is a factor that the Adviser considers, it does not necessarily always pay the lowest commission price available for each trade.* In all cases, in directing brokerage, the Adviser must conclude that the commissions paid are reasonable in relation to the value of the brokerage and/or research services provided by the broker-dealer, viewed in terms of either the particular transaction or the Adviser's overall responsibilities with respect to the Funds.

As noted above, IARs primarily utilize the Adviser's affiliate, NES, to effect client transactions. NES is an introducing broker for J.P. Morgan Clearing Corp. (a subsidiary of J.P. Morgan Securities), and Pershing LLC (a subsidiary of The Bank of New York Mellon Corporation). Both are FINRA/SIPC member firms that are unrelated to the Adviser.

**A.1. Research and Other Soft Dollar Benefits** – Although it currently does not do so, the Adviser is permitted pursuant to the Funds' Offering Memoranda to utilize "soft dollar" credits generated by brokerage of the Fund to pay for research and other products or services other than execution from a broker-dealer or a third party under the "safe harbor" provided by Section 28(e) of the U.S. Securities and Exchange Act of 1934, as amended. Section 28(e) provides a safe harbor for advisers that receive "soft dollar" benefits that are limited to certain research and brokerage products and services.

- a. In the event the Adviser were to utilize "soft dollars" as described above, it would receive a benefit because it would not have to produce or pay for the research or brokerage products or services.
- b. In the event the Adviser were to utilize "soft dollars" as described above, it may have an incentive to select or recommend a broker-dealer based on its interest in receiving the research or brokerage products or services, rather than on the clients' interest in receiving most favorable execution.
- c. In the event the Adviser were to utilize "soft dollars" as described above, this practice may cause clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for "soft dollar" benefits (known as "paying-up").
- d. In the event the Adviser were to utilize "soft dollars" as described above, the "soft dollars" generated by one client's account may be used by the Adviser to service that account as well as others and that "soft dollar" benefits possibly may be applied disproportionately to the soft dollar credits that an account generates.
- e. During the past fiscal year, neither the Adviser nor any of its related persons acquired any products and services with client brokerage commissions (or markups or markdowns). However, note that research reports (on both companies and markets generally), attendance at certain seminars and conferences, discussions with research analysts, and meetings with corporate executives were acquired from various broker-dealers that the Adviser utilizes as either an executing broker or prime broker for the Funds. These products and services were not provided with "soft dollar" credits

generated by specific trades, but rather were provided by the broker-dealer because of the Adviser's ongoing relationship with the broker-dealer.

- f. During the past fiscal year, the Adviser did not direct any client transactions to a particular broker-dealer in return for "soft dollar" benefits.

**Note that the Adviser presently does not utilize "soft dollars".**

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

**A.3. Directed Brokerage** - Some clients will instruct the Adviser to execute all transactions through a particular broker-dealer ("directed brokerage"). In the event that a client directs brokerage, it should be understood that under those circumstances the Firm will not have authority to negotiate commissions, obtain volume discounts, and best execution may not be achieved. Directing brokerage may cost clients more money. For example, in a directed brokerage account, the client may pay higher brokerage commissions because the Adviser may not be able to aggregate orders to reduce transaction costs, or the client may receive less favorable prices. In addition, a disparity in commission charges may exist between the commissions charged to the client and those charged to other clients.

Not all clients will direct brokerage, and the Adviser does not require that a client direct brokerage. In fact, since IARs are separately registered as representatives of NES and NES is required to supervise their securities trading activities, NES may conclude that directing brokerage to a particular broker-dealer may hinder it in meeting its supervisory obligations and therefore the Adviser will not be able to accept the account. In addition, the Adviser reserves the right to decline a directed brokerage account if the Adviser believes that this choice would hinder its fiduciary duty to the client and/or its ability to service the account.

- B. Order Aggregation** - When two or more clients are effected trades in the same security, the Adviser may aggregate such trades for its clients if consistent with its duty to seek best execution. In such cases, clients will receive an average price for the transaction.

## **Item 13 – Review of Accounts**

- A. Frequency and Nature of Review** - Client accounts are continuously monitored the Adviser's Compliance Department. Accounts are also reviewed at least quarterly by the IAR and at least annually by the Chief Compliance Officer or the Chairman. Accounts are reviewed in the context of each clients stated investment objectives and guidelines.
- B. Factors Prompting a Non-Periodic Review of Accounts** - More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

- C. Content and Frequency of Regular Account Reports** – Clients receive quarterly client statements from the qualified custodian that is maintaining their securities. Monthly statements will be issued if an account has activity during the prior month. Trade confirmations are issued by the qualified custodian as well.

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

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

- A. Economic Benefits Received from Non-Clients for Providing Services to Clients** - The Adviser has several arrangements whereby a party who is not a client compensates or otherwise provides an economic benefit to the Adviser for providing services to clients. These arrangements are summarized below:
1. IARs may, from time to time, receive 12b-1 distribution fees from mutual funds or other investment companies in connection with the placement of client funds into such investment companies. While the Adviser and IARs must always consider the interests of clients above their own interests, the potential receipt of this compensation presents a conflict of interest and may affect the Adviser and/or IAR's judgment in recommending investments to clients.
  2. The Adviser has entered into Selling Agreements with other third party investment advisers whereby the Adviser will provide solicitation services on behalf of these other advisers. These other advisers provide portfolio management services on behalf of clients. Solicitation fees are paid to the Adviser in compliance with Rule 206(4)-3 including appropriate disclosure to clients.
- B. Compensation to Non-Supervised Persons for Client Referrals** – The Adviser has no arrangements with placement agents or solicitors providing for a payment by the Adviser in exchange for client referrals.

#### **Item 15 – Custody**

All client assets are maintained at a “qualified custodian”, which are JP Morgan Clearing Corp. and Pershing LLC. Client confirmations and statements will be sent to the clients directly from their qualified custodian.. Any trade discrepancies must be brought to the attention of the Compliance Department of the Adviser within seven days of the trade date or it will be presumed that all of the information on the confirmation is correct and that the client has approved the trade.

## **Item 16 – Investment Discretion**

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

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

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

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

## **Item 18 – Financial Information**

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