

# **Eliot Rose Asset Management, LLC**

SEC File Number: 801 – 61108

## **Brochure**

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**This Brochure provides information about the qualifications and business practices of Eliot Rose Asset Management, LLC (“Eliot Rose”). If you have any questions about the contents of this Brochure, please contact us at (401) 588-5103 or [pm@eliotrose.com](mailto:pm@eliotrose.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 Eliot Rose Asset Management, LLC is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**References herein to Eliot Rose Asset Management, LLC 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

Eliot Rose Asset Management has terminated its Young Professionals Online Services program. There have been no further material changes made to this Brochure since last year's Annual Amendment filing on March 29, 2016.

**ANY QUESTIONS: Eliot Rose Asset Management's Chief Compliance Officer, Paul McDermott, remains available to address any questions that an existing or prospective client may have regarding this Brochure.**

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

- A. Eliot Rose is a limited liability company formed on April 8, 2002 in the State of Rhode Island. Eliot Rose became registered as an Investment Adviser Firm in May 2002. Eliot Rose is principally owned by Gary Siperstein, Eliot Rose's Managing Member.
- B. As discussed below, Eliot Rose offers to its clients (individuals and business entities) investment advisory services, and, to the extent specifically requested by a client, financial planning and related consulting services.

#### **INVESTMENT ADVISORY SERVICES**

The client can determine to engage Eliot Rose to provide discretionary investment advisory services on a *fee-only* basis. Eliot Rose's annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under Eliot Rose's management. Prior to engaging Eliot Rose to provide investment advisory services, clients are required to enter into an *Investment Advisory Agreement* with Eliot Rose setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the fee that is due from the client.

Eliot Rose's annual investment advisory fee shall include investment advisory services, and, to the extent specifically requested by the client, financial planning and consulting services. In the event that the client requires extraordinary planning and/or consultation services (to be determined in the sole discretion of Eliot Rose), Eliot Rose may determine to charge for such additional services, the dollar amount of which shall be set forth in a separate written notice to the client.

#### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

To the extent specifically requested by a client, Eliot Rose 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. Prior to engaging Eliot Rose to provide planning or consulting services, clients are generally required to enter into a *Financial Planning and Consulting Agreement* with Eliot Rose 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 Eliot Rose commencing services. If requested by the client, Eliot Rose may recommend the services of other professionals for implementation purposes. 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 Eliot Rose. 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 Eliot Rose if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising Eliot Rose's previous recommendations and/or services.

## MISCELLANEOUS

**Limitations of Financial Planning and Non-Investment Consulting/Implementation Services.** As indicated above, to the extent requested by a client, Eliot Rose may provide financial planning and related consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Eliot Rose **does not** serve as an attorney, accountant, or insurance agency, and no portion of its services should be construed as legal, accounting, or insurance brokerage services. Accordingly, Eliot Rose **does not** prepare estate planning documents, tax returns or sell insurance products. To the extent requested by a client, Eliot Rose may recommend the services of other professionals for certain non-investment implementation purpose (i.e. attorneys, accountants, insurance agents, etc.). Clients are reminded that they are 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 made by Eliot Rose or its representatives. **Please Note:** If the client engages any unaffiliated recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional.

**Retirement Plan Rollovers – No Obligation / Potential for Conflict of Interest:** A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If the Registrant recommends that a client roll over their retirement plan assets into an account to be managed by the Registrant, such a recommendation creates a conflict of interest if the Registrant will earn an advisory fee on the rolled over assets. **No client is under any obligation to roll over retirement plan assets to an account managed by Registrant. The Registrant's Chief Compliance Officer, Paul McDermott, remains available to address any questions that a client or prospective client may have regarding the potential for conflict of interest presented by such rollover recommendation.**

**Please Note: Limitation and Risks Corresponding to Eliot Rose's Investment Management Services.** Certain client portfolios may be comprised of a majority of micro-cap equities securities. These type securities generally share common characteristics (i.e., lower market capitalization, greater price volatility, and potential liquidity constraints), and generally will not constitute a diversified or balanced portfolio that is suitable for investment of all of an investor's assets (the account will generally contain little to no fixed-income investments). For these clients, Eliot Rose shall manage the account without consideration for the other investment assets or accounts that the client may own or maintain away from Eliot Rose. **The client may, at anytime, impose reasonable restrictions, in writing, on the Eliot Rose's services.**

**Client Obligations.** In performing its services, Eliot Rose 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 their responsibility to promptly notify Eliot Rose if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising Eliot Rose's previous recommendations and/or services.

**Disclosure Statement.** A copy of Eliot Rose'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 Advisory Agreement*.

- C. Eliot Rose 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, Eliot Rose shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). All clients are invested in a diversified portfolio consisting of micro cap value equities, or micro cap equity mutual funds. Investment risks associated with micro cap equities may include short term volatility and liquidity risk. The client may, at any time, impose reasonable restrictions, in writing, on Eliot Rose's services.
- D. Eliot Rose does not participate in a wrap fee program.
- E. As of February 15, 2017, Eliot Rose had \$74,066,000 in assets under management on a discretionary basis.

## **Item 5 Fees and Compensation**

A.

### **INVESTMENT ADVISORY SERVICES**

If a client determines to engage Eliot Rose to provide discretionary investment advisory services on a *fee-only* basis, Eliot Rose's annual investment advisory fee shall be based upon a percentage (%) of the market value and type of assets placed under Eliot Rose's management (between negotiable and 1.50%) as follows:

<u>Account Value</u>	<u>Annual Fee</u>
\$250,000-\$1 million	1.50%
Accounts over \$1 million	1.00%

### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

To the extent specifically requested by a client, Eliot Rose *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. Eliot Rose's planning and consulting fees are negotiable, but generally ranges up to \$2,500 on a fixed fee basis, and from \$185 to \$250 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 Eliot Rose's advisory fees deducted from their custodial account. Both Eliot Rose's *Investment Advisory Agreement* and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of Eliot Rose's investment advisory fee and to directly remit that management fee to Eliot Rose in compliance with regulatory procedures. In the limited event that Eliot Rose bills the client directly, payment is due upon receipt of Eliot Rose's invoice. Eliot Rose shall

deduct fees and/or bill clients for Investment Advisory Services quarterly in arrears, 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, Eliot Rose shall generally recommend that Charles Schwab and Co., Inc. ("*Schwab*") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Schwab* 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 Eliot Rose'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. Eliot Rose shall deduct fees and/or bill clients quarterly in arrears for Investment Advisory Services, based upon the market value of the assets on the last business day of the previous quarter. The *Investment Advisory Agreement* between Eliot Rose 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, Eliot Rose shall debit the account for the pro-rated portion of the unpaid advisory fee based upon the number of days that services were provided during the billing quarter.
- E. Neither Eliot Rose, nor its representatives accept compensation from the sale of securities or other investment products.

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

Eliot Rose will not enter into an advisory agreement with a performance-based fee component.

## **Item 7            Types of Clients**

Eliot Rose's clients shall generally include individuals and business entities. Eliot Rose generally requires a \$150,000 minimum asset level for Investment Advisory Services. Eliot Rose, in its sole discretion, may reduce or waive its minimum asset requirement 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**

- A. Eliot Rose 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)
- Cyclical – (analysis performed on historical relationships between price and market trends, to forecast the direction of prices)

Eliot Rose generally utilizes long-term purchases (securities held at least a year) when implementing investment advice given to clients.

**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 Eliot Rose) will be profitable or equal any specific performance level(s). **Please Also Note:** Investing in securities involves risk of loss that clients should be prepared to bear.

- B. Eliot Rose’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 Eliot Rose must have access to current/new market information. Eliot Rose has no control over the dissemination rate of market information; therefore, unbeknownst to Eliot Rose, certain analyses may be compiled with outdated market information, limiting the value of Eliot Rose’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.

Eliot Rose’s primary investment strategy focuses on Long Term Purchases, which is a fundamental investment strategy. 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.

- C. Currently, Eliot Rose primarily allocates client investment assets among various individual equity (stocks), debt (bonds) and fixed income securities, mutual funds and/or exchange traded funds (“ETFs”), on a discretionary basis in accordance with the client’s designated investment objective(s). All Investment Advisory Services clients are invested in a diversified portfolio consisting of micro-cap value equities, or micro-cap equity mutual funds.

## **Item 9            Disciplinary Information**

Eliot Rose has not been the subject of any disciplinary actions.

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

- A. Neither Eliot Rose, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither Eliot Rose, 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. Eliot Rose has no other relationship or arrangement with a related person that is material to its advisory business.
- D. Eliot Rose 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. Eliot Rose maintains an investment policy relative to personal securities transactions. This investment policy is part of Eliot Rose's overall Code of Ethics, which serves to establish a standard of business conduct for all of Eliot Rose'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, Eliot Rose also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by Eliot Rose or any person associated with Eliot Rose.

- B. Neither Eliot Rose nor any related person of Eliot Rose recommends, buys, or sells for client accounts, securities in which Eliot Rose or any related person of Eliot Rose has a material financial interest.
- C. Eliot Rose and/or representatives of Eliot Rose *may* buy or sell securities that are also recommended to clients. This practice may create a situation where Eliot Rose and/or representatives of Eliot Rose 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 Eliot Rose 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 Eliot Rose's clients) and other potentially abusive practices.

Eliot Rose has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of Eliot Rose's "Access Persons". Eliot Rose's securities transaction policy requires that an Access Person of Eliot Rose 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 Eliot Rose selects; provided, however that at any time that Eliot Rose has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. Eliot Rose and/or representatives of Eliot Rose *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where Eliot Rose and/or representatives of Eliot Rose 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, Eliot Rose has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Eliot Rose's Access Persons.

## **Item 12 Brokerage Practices**

- A. In the event that the client requests that Eliot Rose recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct Eliot Rose to use a specific broker-dealer/custodian), Eliot Rose generally recommends that investment management accounts be maintained at *Schwab*. Prior to engaging Eliot Rose to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with Eliot Rose setting forth the terms and conditions under which Eliot Rose shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that Eliot Rose considers in recommending *Schwab* (or any other broker-dealer/custodian to clients) include historical relationship with Eliot Rose, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Eliot Rose's clients shall comply with Eliot Rose'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 Eliot Rose determines, in good faith, that the commission/transaction fee is reasonable. 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 Eliot Rose 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, Eliot Rose's investment management fee. Eliot Rose'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 Benefits.**

In return for effecting securities transactions through a designated broker-dealer/custodian, Eliot Rose may receive certain investment research products or services which assist Eliot Rose 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 Eliot Rose 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 Eliot Rose's clients shall comply

with Eliot Rose'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 Eliot Rose 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 a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Eliot Rose 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 Eliot Rose will generally be used to service all of Eliot Rose'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 Eliot Rose that have a mixed use of both a research and non-research (i.e., administrative, etc.) function, Eliot Rose 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 Eliot Rose'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 Eliot Rose with hard dollars. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Eliot Rose's investment management fee.

**Eliot Rose's Chief Compliance Officer, Paul McDermott, 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.**

Charles Schwab & Co., Inc.

Eliot Rose may recommend that clients establish brokerage accounts with the Schwab Institutional division of *Schwab*, to maintain custody of clients' assets and to effect trades for their accounts. Eliot Rose is independently owned and operated and not affiliated with *Schwab*. *Schwab* provides Eliot Rose with access to its institutional trading and custody services, which are not typically available to *Schwab* retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them.

For Eliot Rose client accounts maintained in its custody, *Schwab* generally 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 *Schwab* or that settle into *Schwab* accounts.

*Schwab* also makes available to Eliot Rose other products and services that benefit Eliot Rose but may not benefit its clients' accounts. Some of these other products and services assist Eliot Rose in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations 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 Eliot Rose's fees from its clients' accounts, and assist with back-office functions, recordkeeping and

other client reporting. Many of these services generally may be used to service all or a substantial number of Eliot Rose's accounts, including accounts not maintained at *Schwab* Institutional. *Schwab* Institutional also makes available to Eliot Rose other services intended to help Eliot Rose manage and further develop its business enterprise. These services may include consulting, publications, and conference on practice management, information technology, business succession, regulatory compliance, and marketing. In addition, *Schwab* may make available, arrange and/or pay for these types of services rendered to Eliot Rose by independent third parties. *Schwab* Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or part of the fees of a third-party providing these services to Eliot Rose. While as a fiduciary, Eliot Rose endeavors to act in its clients' best interests, Eliot Rose's recommendation that clients maintain their assets in accounts at *Schwab* may be based in part on the benefit to Eliot Rose of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by *Schwab*, which may create a potential conflict of interest.

**Eliot Rose's Chief Compliance Officer, Paul McDermott, 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.**

#### 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, Eliot Rose may receive from *Schwab* (or another broker-dealer/custodian) without cost (and/or at a discount) support services and/or products, certain of which assist Eliot Rose to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by Eliot Rose 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 Eliot Rose 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 Eliot Rose in managing and administering client accounts. Others do not directly provide such assistance, but rather assist Eliot Rose to manage and further develop its business enterprise.

Eliot Rose's clients do not pay more for investment transactions effected and/or assets maintained at *Schwab* as a result of this arrangement. There is no corresponding commitment made by Eliot Rose to *Schwab* 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.

**Eliot Rose's Chief Compliance Officer, Paul McDermott, 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. Eliot Rose does not receive referrals from broker-dealers.
3. Eliot Rose 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 Eliot Rose 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 Eliot Rose. 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 Eliot Rose 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 Eliot Rose. Higher transaction costs adversely impact account performance. Please Also Note: Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts

**Eliot Rose’s Chief Compliance Officer, Paul McDermott, remains available to address any questions that a client or prospective client may have regarding the above arrangement.**

- B. To the extent that Eliot Rose provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless Eliot Rose decides to purchase or sell the same securities for several clients at approximately the same time. Eliot Rose 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 Eliot Rose’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. Eliot Rose 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 Eliot Rose provides investment supervisory services, account reviews are conducted on an ongoing basis by Eliot Rose's Principals and/or representatives. All investment supervisory clients are advised that it remains their responsibility to advise Eliot Rose 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 Eliot Rose on an annual basis.

- B. Eliot Rose 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 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 on a monthly basis. Eliot Rose 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, Eliot Rose receives an economic benefit from *Schwab*. Eliot Rose, without cost (and/or at a discount), may receive support services and/or products from *Schwab* (which may include direct monetary assistance from *Schwab* to obtain certain services or products).

Eliot Rose's clients do not pay more for investment transactions effected and/or assets maintained at *Schwab* as a result of this arrangement. There is no corresponding commitment made by Eliot Rose to *Schwab* 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.

- B. Eliot Rose does not engage solicitors for client referrals.

#### **Item 15          Custody**

Eliot Rose 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. Eliot Rose may also provide a written periodic report summarizing account activity and performance.

Please Note: To the extent that Eliot Rose provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by Eliot Rose with the account statements received from the account custodian.

Please Also Note: The account custodian does not verify the accuracy of Eliot Rose's advisory fee calculation.

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

The client can determine to engage Eliot Rose to provide investment advisory services on a discretionary basis. Prior to Eliot Rose assuming discretionary authority over a client's account, the client shall be required to execute an *Investment Advisory Agreement*, naming Eliot Rose as the client's attorney and agent in fact, granting Eliot Rose 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 Eliot Rose on a discretionary basis may, at anytime, impose restrictions, in writing, on Eliot Rose'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 Eliot Rose's use of margin, etc.).

## **Item 17      Voting Client Securities**

Unless the client directs otherwise in writing, Eliot Rose 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.). Eliot Rose shall vote proxies in accordance with its Proxy Voting Policy, a copy of which is available upon request. Eliot Rose shall monitor corporate actions of individual issuers and investment companies consistent with Eliot Rose's fiduciary duty to vote proxies in the best interests of its clients. Although the factors which Eliot Rose 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, Eliot Rose 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), Eliot Rose may be solicited to vote on matters including the approval of advisory contracts, distribution plans, and mergers. Eliot Rose 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. Eliot Rose must always vote client proxies in the best interest of its clients. In the event that Eliot Rose or its related persons have a conflict of interest with regard to a pending solicitation, Eliot Rose will convey this specific conflict to its clients and recommend a course of voting action consistent with clients best interest. Upon approval, Eliot Rose will vote proxies accordingly. In addition, information pertaining to how Eliot Rose voted on any specific proxy issue is also available upon written request. Requests should be made by contacting Eliot Rose's Chief Compliance Officer, Paul McDermott.

**Please note:** Clients may choose to direct the way in which Eliot Rose votes proxies on their behalf.

## **Item 18      Financial Information**

- A. Eliot Rose does not solicit fees of more than \$500, per client, six months or more in advance.
- B. Eliot Rose 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. Eliot Rose has not been the subject of a bankruptcy petition.

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

- A. Gary Steven Siperstein was born in 1958. Mr. Siperstein graduated from Boston University in 1980, with a Bachelor of Science degree in Accounting and Finance. Mr. Siperstein has been a Managing Member and an investment adviser representative of Eliot Rose Asset Management, LLC since April 2002.
- B. Eliot Rose is only engaged in providing investment advisory services as set forth herein.
- C. Neither Eliot Rose nor its representatives receive compensation in the form of performance-based fees.
- D. Neither Eliot Rose, nor its representatives have been the subject of any disciplinary actions.
- E. Neither Eliot Rose, nor its representatives, have any relationship or arrangement with any issuer of securities.

**ANY QUESTIONS: Eliot Rose's Chief Compliance Officer, Paul McDermott, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**