



## **ARC Investment Planning & Management, Inc.**

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March 30, 2012

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

ARC Investment Planning & Management, Inc., ("ARC Investment") is an investment advisor registered with the Securities and Exchange Commission ("SEC"). This Brochure provides information about the qualifications and business practices of ARC Investment. If you have any questions about the contents of this Brochure, please contact us at (413) 637-2900 and/or [mail@arcinvestment.com](mailto:mail@arcinvestment.com).

Registration with the SEC or any state securities authority does not imply a certain level of skill or training. The information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

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

***Material Changes – Item 2***

There are no material changes to this Brochure since the last update.

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*Advisory Business – Item 4*

ARC Investment is a corporation organized under the laws of the State of New York and based in Lenox, Massachusetts. We are licensed with the SEC as an investment adviser and have been providing fee-only investment advice and wealth management services since 1999.

Harvey Siegel, Chief Executive Officer, Edward S. Richter, President, Richard A. Seeley, Executive Vice President, and Barry M. Wesson, Secretary/Chief Compliance Officer, are the principal officers and/or owners of ARC Investment. We offer wealth management services personalized to each individual client.

As a client of ARC Investment you will receive an investment plan that organizes your financial information and determines the scope of our service that is most suitable for your individual financial situation and investment needs. Our commitment to clients is comprehensive and includes tax and financial planning services in addition to investment management. These services range from answering basic financial questions and addressing immediate financial concerns, to sophisticated tax and estate planning. We will work with your attorney, accountant, insurance agent and other professionals as required. To accomplish this, we will

- (i) determine and prioritize your personal and financial goals, needs and objectives
- (ii) gather the pertinent data and documents and conduct personal interviews with you and/or your other professional advisors
- (iii) analyze and evaluate your overall financial situation
- (iv) develop and present investment and financial planning recommendations both verbally and in writing
- (v) implement all investment and financial plans
- (vi) monitor and adjust your plans as needed on an ongoing basis and review tax considerations

During the process, certain assumptions may be made with respect to interest and inflation rates, as well as past trends, historical market performance, and the economy. Past performance is in no way an indication of future results. ARC Investment cannot offer any guarantees or promises that your financial goals and objectives will be met. As your financial situation, goals, objectives or needs change, you must promptly notify us.

We will create your investment portfolio based on the goals, risk tolerances and liquidity requirements we agree upon during our information gathering process. Our investment plan is customized to your needs and circumstances. In some cases multiple accounts may be invested as if they were a single portfolio.

We are discretionary asset managers which means that once we have agreed upon an investment strategy with you, the ongoing supervision and management of your portfolio will be our responsibility. Discretionary management allows us to decide on specific securities, the quantity of the securities and placing buy or sell orders for your account(s) without obtaining your approval for each transaction. Once we construct your investment portfolio, we will monitor it on a continuous basis and adjust or rebalance whenever necessary as changes occur in market conditions, your financial circumstances, or both.

Discretionary authorization is included in our signed written advisory agreement with you and documented with a limited power of attorney agreement you sign with your custodian. This authority may be limited by us agreeing to restrict the securities that can be purchased or sold in your account(s); any restrictions or guidelines will be in writing.

Assets under the direct management of ARC Investment are held by the independent custodians TD Ameritrade, Inc. and/or Charles Schwab & Co. Inc. and custodians of client's employer and or annuity plans. ARC Investment does not act as a custodian of client assets, although we may at times be considered by the SEC to technically have "custody" over certain types of accounts held at independent custodians (see Custody – Item 15).

Our sole source of compensation is fees paid directly by our clients. We do not receive any commissions based on the purchase or sale of any financial product. Commissions in any form are not accepted. No referral fees are paid or accepted. We do not receive benefits from custodians/broker-dealers based on client securities transactions ("soft dollar benefits"). See Brokerage Practices – Item 12 for full disclosure of our relationship with our custodial partners.

As of December 31, 2011, we managed approximately \$126,200,000 in client assets on a discretionary basis for 138 client relationships. We did not have any non-discretionary assets as of this date. In addition, we have an affiliated entity which also manages assets. See Other Financial Activities and Affiliations – Item 10 for more information.

#### *Fees and Compensation – Item 5*

ARC Investment charges its clients an annual fee based upon a percentage of the market value of the assets being managed. There are no additional fees for financial planning services, these services are included in the asset based fee for wealth management as set forth in the following fee schedule:

<u>Portfolio Value</u>	<u>Annual Fee</u>
First \$1,000,000	1.00%
Assets in excess of \$1,000,000	0.50%

We combine related accounts for fee paying purposes which helps you meet fee breakpoints more quickly thereby lowering your overall fee level. We generally extend this option to all accounts residing in the same household and certain members of the same family.

You may authorize us to deduct advisory fees directly from your account(s). Fees are billed quarterly, in advance and are based on the value of your portfolio at the end of the preceding quarter. We usually deduct advisory fees from a specific account(s) designated for billing. You must consent in advance to direct debiting your account(s) by providing written authorization. In addition to an invoice from us, the statement you receive from your custodian will show all account activity including any fees we deduct. We encourage all clients to review each statement for accuracy.

Upon the inception of investment management services, the first quarter's fees will be calculated on a pro-rata basis. The Advisory Agreement between you and ARC Investment will continue in effect until either party terminates the Agreement in accordance with the terms of the Agreement. ARC Investment's annual fee will be pro-rated through the date of termination and any remaining balance shall be charged or refunded to you as appropriate in a timely manner.

Our fees are generally not negotiable and are based on the amount of assets under management. Fees are determined as described above and are not based on a share of gains or losses in the portfolio.

All fees paid to ARC Investment for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds to their shareholders. These fees and expenses are described in each fund's prospectus. These fees generally include a management fee, other fund expenses, and possibly distribution fee. If the fund also imposes sales charges, you may pay an initial or deferred sales charge. As a general rule, ARC Investment does not use mutual funds that assess a sales charge or distribution fee.

You could invest in a mutual fund or exchange traded fund directly, without the services of ARC Investment. In that case, you would not receive the services provided by us. Accordingly, you should review both the fees charged by the funds and the fees charged by ARC Investment to fully understand the total amount of fees you pay and thereby evaluate the advisory services being provided.

Our annual fee and mutual fund fees are exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which you will incur. However, we will not receive any portion of these additional fees. See Brokerage Practices – Item 12 for full disclosure of our relationship with our custodial partners.

Our compensation is solely from fees paid directly by our clients. We do not receive commissions based on the purchase or sale of any financial product. No commissions in any form are accepted.

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

Performance based fees are based on a share of capital gains on or capital appreciation of the client's assets. ARC Investment does not accept performance based fees.

#### *Types of Clients – Item 7*

ARC Investment offers investment advisory services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, and other business entities.

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

### **Methods of Analysis and Investment Strategies**

ARC Investment has core beliefs regarding investment management:

- The aggregate of global stock markets will be higher in the future.
- Diversification reduces risk.
- Asset classes (domestic stocks, foreign stocks, et al) revert to the mean.
- It is impractical to attempt to time investments in markets, asset classes or individual securities.
- It is impractical to select a limited number of individual securities in an asset class and expect to outperform the asset class.
- Over time, smaller capitalization stocks and the investment style known as “value” will outperform other equity asset classes (because of higher risk).
- Minimizing the costs of implementing and maintaining an investment program is an important component in reaching your objectives.

These core beliefs have led us to a strategy of implementing and maintaining globally diversified portfolios of stocks and bonds that are rebalanced to fixed allocation strategies as required.

Investment is through low cost (and tax efficient when applicable) index and index type mutual funds where available and practical. In constructing portfolios for clients, ARC Investment will use a select group of mutual funds that agree with the client's investment objectives and needs. Individual funds are selected for specific attributes including:

- Adherence to investment style
- Performance relative to similarly managed funds
- Costs of maintaining the investment
- Tax efficiency

Cash is kept at a minimum to meet client spending and liquidity requirements.

Fixed Income investments are primarily through mutual funds and exchange traded funds. Holdings normally include investment grade corporate bonds, US government and agency notes, municipal bonds and US Treasury Inflation Protected Securities. Holdings may include international bonds for both developed and emerging economies and domestic high yield bonds.

Equity investments are primarily through low cost index and index type mutual funds and exchange traded funds. The equity portfolio is diversified across US stocks, international developed economy stocks and international emerging markets stocks. Within these markets, we further diversify by market capitalization (large and small) and investment style (growth and value). Where practical, we maintain a modest bias towards small cap and value.

The Vanguard Group and Dimensional Fund Advisors (DFA) are among the fund companies we use for a client's investments.

Vanguard is one of the world's largest managers of index funds for individual investors. They're known as the low cost provider of index mutual funds. The firm has based its index funds on well-known benchmarks from companies such as Standard & Poors (S&P), Russell, Wilshire and Morgan Stanley Capital International (MSCI).

DFA, on the other hand, is primarily an institutional firm whose clients include large pension funds, endowments, corporations and clients of approved investment advisors. DFA funds are based on proprietary asset class methodologies (such as domestic and foreign small company funds), unavailable through traditional sources such as Vanguard. Their funds provide greater diversification opportunities and relatively efficient access to asset classes with higher expected returns.

ARC Investment is one of a select group of fee-only investment advisers who is authorized by DFA to purchase their funds for individual clients. ARC Investment does not receive any compensation from DFA and has no written agreement with DFA. We do not consider this arrangement to constitute a conflict of interest since there are no financial agreements in place. On the contrary, we believe DFA funds provide an enhanced selection of high-quality investment vehicles.

We occasionally use funds from other fund companies when appropriate and we may include other types of assets and/or investment vehicles as circumstances evolve. In certain situations we may retain specific

securities owned by a client prior to their becoming a client if we think it is appropriate given tax or other related matters. We may write covered options in very specific circumstances.

### **Risk of Loss**

The investment advice and strategies suggested by ARC Investment, will vary depending on your specific financial situation and goals. This brief statement does not disclose all of the risks and other significant aspects of investing in financial markets. In light of the risks, you should fully understand the nature of the contractual relationships into which you are entering and the extent of your exposure to risk. Certain investing strategies may not be suitable for many members of the public. You should carefully consider whether the strategies employed will be appropriate for you in light of your experience, objectives, financial resources and other relevant circumstances.

*General Investment Risk:* All investments come with the risk of losing money. Investing involves substantial risks, including complete possible loss of principal plus other losses and may not be suitable for many members of the public. Investments, unlike savings and checking accounts at a bank, are not insured by the government to protect against market losses. Different market instruments carry different types and degrees of risk and you should familiarize yourself with the risks involved in the particular market instruments for investment.

*Loss of Value:* There can be no assurance that a specific investment will achieve its investment objectives and past performance should not be seen as a guide to future returns. The value of investments and the income derived may fall as well as rise and investors may not recoup the original amount invested. Investments may also be affected by any changes in exchange control regulation, tax laws, withholding taxes, international, political and economic developments, and government, economic or monetary policies.

*Market Risk:* Client portfolios will perform as well or as poorly as the markets cause their portfolios to perform. The price of a security, bond or mutual fund may rise or drop in reaction to tangible and intangible events and conditions caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events. Sometimes this may be positive and sometimes it may be negative.

*Interest Rate Risk:* Fixed income securities and funds that invest in bonds and other fixed income securities may rise or fall in value if interest rates change. Generally, the prices of debt securities rise when interest rates fall, and their prices fall when interest rates rise. Longer term debt securities are usually more sensitive to interest rate changes.

*Credit Risk:* Investments in bonds and other fixed income securities are subject to the risk that the issuer(s) may not make required interest payments. An issuer suffering an adverse change in its financial condition could lower the credit quality and rating of a security, leading to greater price volatility of the security. A lowering of the credit rating of a security may also offset the security's liquidity, making it more difficult to sell. Funds investing in lower quality debt securities are more susceptible to these problems and their value may be more volatile.

*Foreign Exchange Risk:* Foreign investments may be affected favorably or unfavorably by exchange control regulations or changes in the exchange rates. Changes in currency exchange rates may influence the share value, the dividends or interest earned and the gains and losses realized. Exchange rates between

currencies are determined by supply and demand in the currency exchange markets, the international balance of payments, governmental intervention, speculation and other economic and political conditions. If the currency in which a security is denominated appreciates against the U.S. dollar, the value of the security will increase. Conversely, a decline in the exchange rate of the currency would adversely affect the value of the security.

*Risk of Option writers:* The writer of a covered call option forgoes the opportunity to benefit from an increase in value of the underlying interest above the option price, but continues to bear the risk of a decline in the value of the underlying interest. Unlike the holder of the underlying interest who has not written a call against it, the covered call writer has (in exchange for the premium) given up the opportunity to profit from an increase in the value of the underlying interest above the exercise price. If the writer is assigned an exercise, the net proceeds realized from the sale of the underlying interest pursuant to the exercise could be substantially below its prevailing market price.

*Futures and Options in Funds:* Funds may invest in options and futures on securities, indices and interest rates for the purpose of efficient portfolio management. Also, Funds may invest in futures, options or forward foreign exchange contracts to hedge market and currency risks. Transactions in futures carry a high degree of risk. The amount of the initial margin is small relative to the value of the futures contract so that transactions are "leveraged" or "geared". A relatively small market movement will have a proportionately larger impact which may work for or against the investor. The placing of certain orders which are intended to limit losses to certain amounts may not be effective because market conditions may make it impossible to execute such orders.

Transactions in options also carry a high degree of risk. Selling ("writing" or "granting") an option generally entails considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess of that amount. The seller will also be exposed to the risk of the purchaser exercising the option and the seller will be obliged either to settle the option in cash or to acquire or deliver the underlying investment. If the option is "covered" by the seller holding a corresponding position in the underlying investment or a future on another option, the risk may be reduced.

*Small Capitalization:* Funds which include smaller capitalization companies, may involve greater risk than funds investing in larger, more established companies. For example, small capitalization companies may have limited product lines, markets and financial or managerial resources. As a result, price movements in securities of smaller capitalization companies may be more volatile. Transaction costs in securities of smaller capitalization companies can be higher than those of larger capitalization companies and there may be less liquidity.

#### *Disciplinary Information – Item 9*

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management.

There is no history of legal or disciplinary events involving ARC Investment, our principals or advisory representatives.

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



ARC Investment does not participate in any other industry business activities.

Harvey Siegel, Edward S. Richter, Richard A. Seeley and Barry M. Wesson, Chief Executive Officer, President, Executive VP and Secretary, respectively, of ARC Investment, are Chairman, Executive VP's and President, respectively, of WS Securities Incorporated ("WS"), an affiliated investment advisor registered with the SEC. Clients of ARC Investment are not solicited to become clients of WS.

WS operates in the same manner as ARC Investment with an identical Form ADV however WS does not accept new clients. As of December 31, 2011, WS had approximately \$54,000,000 in discretionary assets under management for 59 client relationships. It also had approximately \$6,400,000 in non-discretionary assets as of this date.

Together ARC Investment and WS have a total of \$180,200,000 in discretionary assets for 197 client relationships.

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

##### **Description of Our Code of Ethics**

ARC Investment has adopted a Code of Ethics ("Code") to address investment advisory conduct. The Code focuses primarily on fiduciary duty, personal securities transactions, insider trading, gifts, and conflicts of interest. The Code includes ARC Investment's policies and procedures developed to protect client's interests in relation to the following topics:

- The duty at all times to place the interests of clients first.
- The requirement that all personal securities transactions be conducted in such a manner as to be consistent with the code of ethics.
- The responsibility to avoid any actual or potential conflict of interest or misuse of an employee's position of trust and responsibility.
- The fiduciary principle that information concerning the identity of security holdings and financial circumstances of clients is confidential.
- The principle that independence in the investment decision-making process is paramount.

You can request a copy of our Code of Ethics by calling us at (413) 637-2900 or mailing us a request at our office address.

##### **Personal Trading Practices**

At times ARC Investment and/or its representatives and employees may take positions in the same securities as clients, which could pose a conflict of interest. ARC Investment and its representatives and employees will generally be "last in" and "last out" for the trading day when trading occurs in close proximity to client trades. We will not violate our fiduciary responsibilities to our clients.

#### *Brokerage Practices – Item 12*

##### **Recommended Broker Dealer/Custodians**

ARC Investment does not have any affiliation with product sales firms. Specific custodian recommendations are made to clients based on their need for such services. ARC Investment recommends custodians based on the proven integrity and financial responsibility of the firm, best execution of orders at reasonable commission rates, and the quality of client service.

For ARC Investment's portfolio management programs we recommend the services of TD Ameritrade Institutional, a division of TD Ameritrade, Inc. ("TD Ameritrade") or Schwab Institutional, a division of Charles Schwab & Co., Inc. ("Schwab") for custody of assets and execution of securities transactions. ARC Investment does not receive fees or commissions from any of these arrangements, although we may benefit from electronic delivery of client information, electronic trading platforms and other services provided by custodians for the benefit of clients. We may also benefit from other services provided by custodians, such as research, continuing education, and practice management advice. These benefits are standard in a relationship with these custodians and are not in return for client recommendations or transactions.

TD Ameritrade and Schwab are members of the Financial Industry Regulatory Authority ("FINRA"), the Securities Investor Protection Corporation ("SIPC") and the National Futures Association ("NFA").

We may, if required by a client's circumstances, work with other custodians such as bank trust departments, retirement plan providers and retirement annuity providers.

### **Research and Other Soft Dollar Benefits**

Although ARC Investment does not receive soft dollar benefits from the custodians we recommend, both TD Ameritrade and Schwab provide certain benefits to ARC Investment and/or its representatives.

### **Benefits Received From TD Ameritrade**

While there is no direct link between ARC Investment's participation in the TD Ameritrade Institutional program and the investment advice it gives to its clients, ARC Investment receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits may include the following (without cost): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; discounts on compliance, marketing, research, technology, and practice management products or services provided to ARC Investment by third party vendors. Some of the products and services made available by TD Ameritrade through the program may benefit ARC Investment but may not directly benefit its client accounts. These products or services may assist ARC Investment in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help ARC Investment manage and further develop its business enterprise. The benefits received by ARC Investment or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, ARC Investment commits at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by

ARC Investment or its related persons in and of itself creates a potential conflict of interest and may indirectly influence ARC Investment's choice of TD Ameritrade for custody and brokerage services.

### **Benefits Received From Schwab**

Schwab provides ARC Investment with access to its institutional trading and custody services, which are typically not available to 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 the advisor's clients' assets is maintained in accounts at Schwab Institutional, and are not otherwise contingent upon Advisor committing to Schwab any specific amount of business (assets in custody or trading). 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 ARC Investment's 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 ARC Investment other products and services that benefit ARC Investment but may not benefit its clients' accounts. Some of these other products and services assist ARC Investment 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 ARC Investment's 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 ARC Investment's accounts, including accounts not maintained at Schwab Institutional. Schwab Institutional also makes available to ARC Investment other services intended to help ARC Investment 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, Schwab may make available, arrange and/or pay for these types of services rendered to ARC Investment by independent third parties. Schwab Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to ARC Investment. While as a fiduciary, ARC Investment endeavors to act in its clients' best interests, and ARC Investment's recommendation that clients maintain their assets in accounts at Schwab may be based in part on the benefit to ARC Investment 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.

In suggesting a custodian, ARC Investment endeavors to select either TD Ameritrade or Schwab to provide the best service at the lowest overall cost to a client.

### **Brokerage for Client Referrals**

We do not receive or give compensation or other benefits for client referrals to or from TD Ameritrade or Schwab.

### **Directed Brokerage**

ARC Investment does not accept instructions for directed brokerage.

### Trade Aggregation

ARC Investment generally does not aggregate the purchase or sale of securities for various client accounts. Although there is a theoretical possibility that in some instances, such aggregation may result in lower brokerage costs and/or more consistent execution among transactions, in practice every client transaction is processed at the same cost and the variation in price is minimal on any single trading day.

### *Review of Accounts – Item 13*

ARC Investment has developed proprietary computer analyses that examines, on a periodic basis, adherence to client's agreed upon strategy. Factors that may initiate additional reviews include, but are not limited to, market movements, changes in economic conditions, changes in the client's financial situation or investment objectives, and requests by clients.

Representatives of ARC Investment are not assigned individual accounts but review the accounts using the above described analytic tools.

Clients receive confirmations of each transaction and monthly statements (quarterly, if no activity) from their custodian. ARC Investment provides a quarterly report to all clients combining all of the client's investments in each account with detailed investment results. ARC Investment provides an annual report to all clients with necessary information for their tax returns. Special reports may be available upon request.

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

ARC Investment has been fortunate to receive many client referrals over the years from current clients, attorneys, accountants, employees, and other sources. We do not pay for referrals.

Apart from the research and other benefits received from TD Ameritrade and Schwab, as disclosed in the Research and Other Soft Dollar Benefits section of Item 12 above, we do not receive economic benefits from third parties in exchange for providing investment advice or other advisory services to our clients. ARC Investment does not compensate, either directly or indirectly, any person or entity who is not our supervised person for client referrals.

ARC Investment does not accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.

### *Custody – Item 15*

ARC Investment is deemed to have custody of client funds for two reasons:

1. ARC Investment has the authority to deduct advisory fees directly from the client's account. This fee deduction authority is granted by the client in the investment advisory agreement.
2. Associated Persons of ARC Investment may serve as trustees to some accounts that use ARC Investment's investment advisory services. This capacity gives Associated Persons custody over the advisory accounts.

All client accounts are held with a bank, broker-dealer, or other independent qualified custodian. Clients will receive account statements on at least a quarterly basis from the independent, qualified custodian holding their funds and securities. Clients should carefully review account statements to ensure they are correct. Minor variations may occur because of reporting dates, accrual methods of interest and dividends, and other factors. The custodial statement is the client's official record for tax purposes.

If you have a question regarding your account statement or if you did not receive a statement from your custodian, please contact us at (413) 637-2900.

#### *Investment Discretion – Item 16*

Clients grant ARC Investment discretion over the selection and amount of securities to be bought or sold for their account without obtaining their prior consent or approval. However, ARC Investment's investment authority may be subject to specific investment guidelines and conditions agreed upon with the client. For example, an existing position may be retained if specifically agreed with the client not to sell.

Please refer to the "Advisory Business" section, Item 4 above in this Disclosure Brochure for more information on our discretionary management services.

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

ARC Investment will not vote proxies on behalf of client accounts although, at the client's request, ARC Investment may offer clients advice regarding corporate actions and the exercise of proxy voting rights and/or materials. Questions about proxies may be made via the contact information on the cover page.

#### *Financial Information – Item 18*

ARC Investment does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, ARC Investment is not required to present a balance sheet.

Additionally, ARC Investment has not been subject to a bankruptcy petition and does not have reportable financial disclosures – i.e., disclosures in which ARC Investment's financial condition would impair ARC Investment's ability to meet contractual commitments to clients.

#### *Requirements of State-Registered Advisors – Item 19*

This section is intentionally left blank since ARC Investment is SEC registered.

#### *Miscellaneous*

ARC Investment views protecting its clients' private information as a top priority and, pursuant to the requirements of the Gramm-Leach-Bliley Act, ARC Investment has instituted policies and procedures to ensure that client information is kept private and secure.

ARC Investment does not disclose any nonpublic personal information about its clients or former clients to any nonaffiliated third parties, except as permitted by law. In the course of servicing a client account, ARC Investment may share some information with service providers, such as transfer agents, custodians, broker-dealers, accountants, and attorneys.

ARC Investment restricts internal access to nonpublic personal information about its clients to those employees who need to know that information in order to provide products or services to the client. ARC Investment maintains physical and procedural safeguards that comply with state and federal standards to guard a client's nonpublic personal information and ensure its integrity and confidentiality. As emphasized above, it has always been and will always be ARC Investment's policy never to sell information about current or former clients or their accounts to anyone. It is also ARC Investment's policy not to share information unless required to process a transaction, at the request of the client, or as required by law.

A copy of ARC Investment's privacy policy notice will be provided to each client prior to, or contemporaneously with, the execution of the Advisory Agreement. Thereafter, ARC Investment will deliver a copy of the current privacy policy notice to its clients on an annual basis. If you have any questions on this policy, please contact Barry M. Wesson, Chief Compliance Officer at (413) 637-2900.