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# Donnelly Steen & Company

1201 N. Orange Street, Suite 729  
Wilmington, DE 19801

888-657-5200

April 25, 2011

*This Brochure provides information about the qualifications and business practices of Donnelly Steen & Company. If you have any questions about the contents of this Brochure, please contact us at 888.657.5200 and/or [info@donnellysteen.com](mailto:info@donnellysteen.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.*

*Donnelly Steen & Company is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.*

*Additional information about Donnelly Steen & Company also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

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## Item 2 – Material Changes

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated March 31, 2011 is a new document prepared according to the SEC’s new requirements and rules.

In the future, this Section will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials 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 Donnelly Steen & Company, at 888.657.5200 or [info@donnellysteen.com](mailto:info@donnellysteen.com).

Additional information about Donnelly Steen & Company is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with Donnelly Steen & Company who are registered, or are required to be registered, as investment adviser representatives of Donnelly Steen & Company.

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### Item 3 – Table of Contents

Item 1 – Cover Page .....	i
Item 2 – Material Changes .....	ii
Item 3 -Table of Contents.....	iii
Item 4 – Advisory Business .....	1
Item 5 – Fees and Compensation.....	5
Item 6 – Performance-Based Fees and Side-By-Side Management .....	10
Item 7 – Types of Clients .....	10
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....	10
Item 9 – Disciplinary Information.....	12
Item 10 – Other Financial Industry Activities and Affiliations .....	12
Item 11 – Code of Ethics.....	12
Item 12 – Brokerage Practices .....	15
Item 13 – Review of Accounts .....	19
Item 14 – Client Referrals and Other Compensation .....	21
Item 15 – Custody.....	22
Item 16 – Investment Discretion .....	23
Item 17 – Voting Client Securities .....	23
Item 18 – Financial Information .....	24
Item 19 – Requirements for State-Registered Advisers .....	24
Brochure Supplement(s)	

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#### Item 4 – Advisory Business

Donnelly Steen & Company, (“Donnelly Steen & Company,” “DSCO” or “Registrant”) is an investment advisory firm that is registered with the U.S. Securities and Exchange Commission. Registrant has a minority interest in a related broker/dealer, Coastal Equities, Inc. (“CEI”). Registrant also does business under and at the following names and locations:

Coastal Advisory Group  
602 Main Street, Suite 801  
Cincinnati, Ohio 45202

Foundry Wealth Management  
920 E. Fort Avenue, Suite 310  
Baltimore, MD 21230

HR&S Financial Services  
1515 Market Street, 17<sup>th</sup> Floor  
Philadelphia, Pennsylvania 19106

Winther Asset Management  
1505 Ashburn Ridge Drive  
Waxhaw, NC 28173

Blackburn  
529 Fifth Avenue, 8<sup>th</sup> Floor  
New York, NY 10017

Diversified Asset Management  
14 Woodland Drive  
Rye Brook, NY 10573

Wealth Solutions  
1800 E. Market Street  
York, PA 17406

Independent Wealth Management  
620 Green Valley Road  
Greensboro, NC 27408

Diversified Asset Management  
14 Woodland Drive  
Rye Brook, NY 10573

Donnelly Steen Gensler Asset Management  
67 Main Street, Suite 203  
New City, NY 10956

Clients may select from a variety of investment management services, including portfolio management (implemented by Donnelly Steen & Company or an independent, third-party money manager), investment consulting, financial planning, and estate planning. Registrant provides services to clients through individuals registered as investment adviser representatives, whom are referred to internally as “Financial Advisors”. Registrant’s Financial Advisors may be specialists in areas such as wealth management, investment consulting, portfolio management, asset allocation, cash management/treasury services,

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and/or financial and estate planning. Clients of Registrant's Financial Advisors include high and ultra-high net worth families as well as individuals, businesses, trusts, estates and institutions.

This Form ADV, Part II is offered to potential and existing clients to provide an understanding of the services we provide, our conflicts of interest and the experience and education of certain Donnelly Steen & Company personnel. The following defined terms will be referenced throughout this Form ADV:

*Custodian(s)*: Charles Schwab & Co., Inc. ("Schwab"), Fidelity Institutional Wealth Services ("IWS" or "Fidelity"), TradePMR ("PMR"), TD Ameritrade ("TD"), Trust Company of America ("TCA") or First Clearing Corp. ("FCC"). No custodian is affiliated with Donnelly Steen & Company.

*Money Manager(s)*: Independent, third-party money managers that are not affiliated with Donnelly Steen & Company.

*Financial Advisor*: An Investment Advisory Representative of Donnelly Steen & Company.

*FINRA*: Financial Industry Regulatory Authority, Inc.

*SEC*: U.S. Securities and Exchange Commission.

*SIPC*: Securities Investor Protection Corporation.

*Disclosure Document*: Form ADV, Part II and attachments.

## **INVESTMENT MANAGEMENT SERVICES**

Donnelly Steen & Company's Investment Management Services involve Financial Advisors providing ongoing investment advisory services to each client based on their financial situation and investment objectives and in accordance with any reasonable restrictions imposed by the client on the management of their account(s). Financial Advisors are mindful of each client's financial situation, ensuring that clients' investment objectives are met on an ongoing basis, and ensuring that investment recommendations are suitable and comply with any client-imposed investment restrictions.

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**Unaffiliated Private Investment Funds.** DSCO may also provide investment advice regarding unaffiliated private investment funds. DSCO, on a non-discretionary basis, may recommend that certain qualified clients consider an investment in unaffiliated private investment funds. DSCO's role relative to the private investment funds shall be limited to its initial and ongoing due diligence and investment monitoring services. If a client determines to become a private fund investor, the amount of assets invested in the fund(s) shall generally be included as part of "assets under management" for purposes of DSCO calculating its investment advisory fee (unless the client purchases the fund on a commission basis from DSCO's affiliated broker-dealer). DSCO's clients are under absolutely no obligation to consider or make an investment in a private investment fund(s).

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

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

As of March 2011, Donnelly Steen & Company and its affiliates shall manage \$307,897,225 in client assets on a discretionary basis. The firm also will manage \$234,887,269 on a non-discretionary basis.

## **MISCELLANEOUS**

**Non-Investment Consulting/Implementation Services.** To the extent requested by a client, DSCO may provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Neither DSCO, nor any of its representatives, serves as an attorney or accountant, and no portion of DSCO's services should be construed as same. To the extent requested by a client, DSCO may recommend

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the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.), including, as disclosed below, DSCO representatives in their separate capacities as registered representatives and/or licensed agents of DSCO's affiliated SEC registered and FINRA member broker-dealer and licensed insurance agency. 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 DSCO.

**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 DSCO if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising DSCO's previous recommendations and/or services.

**Fee Differentials.** As indicated above, DSCO **may** price its services based upon assets under management and other subjective factors. As a result, DSCO's clients could pay diverse fees based upon the market value of their assets, the complexity of the engagement, and the level and scope of the overall investment advisory and/or consulting services to be rendered. As a result of these factors, the services to be provided by DSCO to any particular client could be available from other advisers at lower fees. All clients and prospective clients should be guided accordingly.

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

**Please Note: Non-Discretionary Service Limitations.** Clients that determine to engage DSCO on a non-discretionary investment advisory basis **must be willing to accept** that DSCO cannot effect any account transactions without obtaining prior verbal consent to any such transaction(s) from the client. Thus, in the event of a market correction during which the client is unavailable, DSCO will be unable to effect any account transactions (as it would for its discretionary clients) without first obtaining the client's verbal consent.

**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

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recommended or undertaken by DSCO) will be profitable or equal any specific performance level(s).

**Conflict of Interest:** The recommendation by DSCO representatives that a client purchase a securities or insurance commission product from the firm's affiliated broker-dealer or insurance agency presents a ***conflict of interest***, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any securities or insurance commission products from DSCO and/or its representatives. Clients are reminded that they may purchase securities and insurance products recommended by DSCO through other, non-affiliated broker-dealers and/or insurance agencies. **DSCO's Chief Compliance Officer, Michael E. Donnelly, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

## **Item 5 – Fees and Compensation**

Donnelly Steen & Company does not impose a minimum account size or a set minimum annual fee for its investment management services. Donnelly Steen & Company and/or its Financial Advisors may negotiate fees on a client-by-client basis. The exact fee charged will be stipulated within each client's advisory agreement with Donnelly Steen & Company and applies to all of the assets within the portfolio or household (as defined in the agreement). Advisory fees are charged monthly, in advance.

While each of the firm's Financial Advisors may negotiate fees with their clients, in no case shall the fees exceed the following Fee Schedule. Certain clients, as described within a client's advisory agreement, may be billed in an "all-inclusive" manner. In such instances, Donnelly Steen & Company will assess one fee that captures the management, brokerage, and administrative portions collectively.

### **Maximum Fee Schedule**

<b>Account Asset Value</b>	<b>Annual Fee</b>
0-\$2,499,999.99	2.50%
\$2,500,000-\$4,999,999.99	1.75%
\$5,000,000-\$9,999,999.99	1.25%
\$10,000,000-\$24,999,999.99	1.00%



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\$25,000,000-\$49,999,999.99	0.75%
\$50,000,000-\$99,999,999.99	0.50%
Over \$100,000,000	0.35%

Fees are payable monthly; the applicable annual percentage fee is divided by twelve. Assets included in clients' margin balance are included when calculating Donnelly Steen & Company's fees. Clients should note that they may already be paying margin interest on these same assets. Fee breakpoints are not retroactive to the breakpoint's previous level. For example, an account valued at \$3,500,000.00 would pay, under the fee schedule above, 2.5% on the first \$2,499,999.99 and would pay 1.75% on the remaining \$1,000,000.01.

Depending upon the platform or program, Donnelly Steen & Company, the Custodian, and/or another third-party will:

- Assist clients in the identification of investment needs and objectives.
- Develop an investment policy and/or asset allocation strategy designed to meet the client's objectives.
- Recommend specific investment style and asset allocation strategies.
- Evaluate Money Managers and investment vehicles meeting style and allocation criteria.
- Negotiate fees to be paid to Money Managers.
- Assist in identification of appropriate Money Managers and investment vehicles suitable to the client's goals.
- Engage selected Money Managers and investment vehicles on behalf of the client.
- Perform ongoing monitoring and due diligence of individual Money Manager's performance and management.
- Review the client's account for adherence to objectives, policy guidelines, and/or asset allocation on a periodic basis.
- Recommend reallocation among Money Managers or styles within the program.
- Hire or fire Money Managers utilized by clients.
- Provide reporting to the client regarding the performance of their account.

Under these programs, an annual fee is negotiated between Donnelly Steen & Company and its clients, typically ranging from 0.20% to 2.5%. The total fee clients will pay typically includes Donnelly Steen & Company's fee and the platform or program fee charged by the Custodian or other third party administering the platform or program, and/or the Money Managers; for certain programs, the fees charged by the Custodian or administrator of the

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platform or program are separate from Donnelly Steen & Company's fee. Under many of these platforms and programs, there are no separate commissions or transaction costs charged to clients. In addition, many of these platforms and programs do not charge separate administrative, custodial, or reporting fees. Such an "all-inclusive" or "bundled" fee structure is often otherwise referred to as a "wrap fee".

Certain platforms charge an "unbundled" fee, meaning fees for execution, custodial, reporting, and/or administrative services are not combined with the Money Manager fees and/or Donnelly Steen & Company's fees. Also, certain platforms will charge execution costs in the form of an asset-based fee. Depending upon the platform selected, there may not be an option for "householding" your accounts for fee discounts.

*In all cases, clients should carefully review each Disclosure Document maintained by Money Managers that have been selected to manage their assets, as well as the Disclosure Document for each wrap fee program that they participate in, for complete details on the charges and fees clients will incur. Such additional Disclosure Documents, as applicable, will be provided to clients by Donnelly Steen & Company's Financial Advisor.*

The fees clients pay the Money Manager and Donnelly Steen & Company may be shown on clients' custodial statements as one gross fee or in some cases, may be listed as separate fees. Additionally, clients may request that fees be broken out. In this case, the client will make this request on the client advisory agreement and will see two to three separate charges depending on the custodial reporting requirements. Some platforms and programs may require an additional advisory agreement with clients in addition to the agreement clients sign with Donnelly Steen & Company. Similarly, certain platforms and programs may require clients to complete brokerage account documents necessary to open new brokerage accounts. Access to certain Money Managers, platforms, and programs may be limited to certain types of accounts and may be subject to account minimums, which will vary and may be negotiable depending upon the Money Managers, platforms, and programs selected. Certain platforms and programs administered by Donnelly Steen & Company and/or made available to clients by Donnelly Steen & Company's Financial Advisors may be available through other independent investment advisors, and in certain instances, directly via the Custodian or other third-party administering the platform or program. In addition, clients may be able to access certain Money Managers directly. As such, clients may be able to access such Money Managers, platforms, and programs at a lower cost through other channels. Further, it may be possible for a client to access Money Managers directly or through other platforms or programs for an "unbundled" fee that is

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lower than the “bundled” fee that is available through Donnelly Steen & Company’s Financial Advisors.

## **FINANCIAL PLANNING SERVICES**

Donnelly Steen & Company may provide financial planning to clients. Financial planning services are offered on a comprehensive or a la carte (limited focus) basis. Financial plans may encompass all or some of the following areas of financial concern to the client:

- Estate Planning Goals
- Retirement Planning
- Education Planning
- Insurance Planning/Risk Management
- Investments
- Asset Allocation Review and Recommendations

Appropriate information will be obtained through personal interviews (including a discussion of current financial status, future goals and attitude towards risk) and the review of related documents and data supplied by the client. A written financial plan may be prepared and provided. The implementation of financial plan recommendations is entirely at the discretion of the client. Financial plans are not limited in any way to products or services provided by any particular company. However, in general, only products and services that Donnelly Steen & Company is able to provide will be offered.

**Financial Planning Fees.** Fees are negotiated on a case-by-case basis and may be charged on an hourly or fixed fee basis. Once determined, the exact fee arrangement is set forth in the Client Agreement with Donnelly Steen & Company.

**Hourly Fees.** Hourly rates range from \$60 to \$400 per hour based upon the knowledge and experience of the individual providing the work. Fees are billed in 15-minute increments. Hourly fees will be billed monthly as the work is provided (in arrears).

**Fixed Fees.** Fees are typically determined by estimating the number of hours to be spent preparing the plan and then quoting a fixed price. If additional work is requested (that goes beyond the original scope of the project), it may be billed on an hourly basis or a fixed price basis as negotiated. Fixed fees will be invoiced monthly or quarterly depending upon the negotiated agreement with the client and the anticipated delivery of the plan. Other limited

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planning services are billed monthly. In addition, some or all of the financial planning fees may be included in the investment management fees agreed upon by clients and their Financial Advisor. Financial planning is not always billed separately. Total costs for financial plans, whether per hour or on a fixed basis, may range from as little as \$500 to as much as \$5,000 or more. There is no "typical" plan, as services are customized to the particular needs of the client; thus there is a wide range of fees that may be imposed. Should a contract be terminated prior to the service being delivered, Donnelly Steen & Company will bill for work completed. In the case of prepayment of fees, the prorated refund will be based upon the hourly rate of the individuals who provided services.

## **GENERAL INFORMATION ON ADVISORY SERVICES AND FEES**

### **Termination**

All advisory agreements may be terminated upon written notification by either party at any time. Upon termination, clients will receive refunds of the prepaid and unearned advisory fees (prorated for the balance of the quarter, if needed). If services have been provided, and are therefore due and payable, clients will receive an invoice with the amount due. Any transactional or custodial charges levied by the custodian after the termination of Donnelly Steen & Company's advisory agreement will be the client's responsibility and not the responsibility of Donnelly Steen & Company. Donnelly Steen & Company has no obligation to refund these fees to its clients.

### **Calculation of Fees**

DSCO Advisory fees are billed based upon the average daily balance in clients' account(s), in advance. Some platforms and programs charge fees in arrears, and some in advance. These are outlined in the applicable program's Disclosure Document. Each client's billing specifics and election (where applicable) are listed in its client advisory agreement.

### **Additional Costs**

All fees paid to Donnelly Steen & Company for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. Clients should review such additional fees and the fees Donnelly Steen & Company charges to understand the total amount of fees paid, as investments in mutual funds may be made by clients, independent of and without the services provided by Donnelly Steen & Company. Although Donnelly Steen & Company's Financial Advisors generally recommend and

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purchase only no-load or load-waived mutual funds for client advisory accounts, some funds may impose an initial or deferred sales charge. Clients may also own some of these funds when they transfer their account(s) to Donnelly Steen & Company. Donnelly Steen & Company may participate indirectly in the sales charges imposed by mutual funds through its affiliated broker/dealer, Coastal Equities, Inc. CEI could receive 12b-1 fees in connection with certain mutual funds purchased for clients' accounts, including certain money market funds. These fees will not always be used to offset advisory fees paid by clients to Donnelly Steen & Company, although in some cases clients' advisory fees may be lower (due to the receipt of the 12b-1 fees) than they otherwise would have been without the 12b-1 fees. Donnelly Steen & Company may also receive shareholder-servicing fees (also referred to as "rebates" or "revenue sharing" payments) from various mutual fund companies with respect to its clients whose assets are invested in those mutual funds, which typically range from 5 basis points to 50 basis points depending on the mutual fund purchased. Virtually all investments purchased by prospectus or private placement memorandum have internal fees that are borne by the client in addition to any trading, execution, or Donnelly Steen & Company advisory fees. Donnelly Steen & Company is not compensated based on a share of capital gains upon or capital appreciation of the assets or any portion of the assets of any client. Donnelly Steen & Company's advisory fees are charged only as described within this Disclosure Document.

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

Donnelly Steen & Company does not charge any 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**

Clients of Donnelly Steen & Company's Financial Advisors include high and ultra-high net worth families as well as individuals, businesses, institutions, trusts, and estates.

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

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

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Donnelly Steen & Company strives to learn a Client's goals, risk tolerance and time horizon through an oral interview process in an effort to determine appropriate investment strategies that are best suited to fit a Client's needs. Upon identification of appropriate strategies Donnelly Steen & Company will design investment management strategies to help a Client achieve his or her financial goals.

Specific investment strategies vary in accordance with the specific needs of each client, however, for most clients the concept of asset allocation, or spreading investments amongst a number of asset classes (domestic stocks vs. foreign stocks; large cap stocks vs. small cap stocks; corporate bonds vs. government securities), is at the forefront of our strategies. Asset allocation seeks efficient diversification of assets in an attempt to lessen the risk of concentrated exposure to a particular security or asset class.

Donnelly Steen & Company may use trading strategies that involve frequent trading of securities. Frequent trading strategies may affect negatively investment performance, particularly through increased brokerage and other transaction costs and taxes.

Donnelly Steen & Company's methods of analysis include charting analysis, fundamental analysis, technical analysis, and cyclical analysis.

Charting analysis involves the use of patterns in performance charts. The firm uses this technique to search for patterns used to help predict favorable conditions for buying and/or selling a security.

Fundamental analysis involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages.

Technical analysis involves the analysis of past market data; primarily price and volume.

Cyclical analysis involved the analysis of business cycles to find favorable conditions for buying and/or selling a security.

Donnelly Steen & Company uses Long Term Trading, Short Term Trading, and Options Writing Strategies (including covered options, uncovered options, or spreading strategies) that are designed to capture market rates of both return and risk. Frequent trading, when done, can affect investment performance, particularly through increased brokerage and other transaction costs and taxes. Short sales and options writing generally hold greater risk and clients should be aware that there is a chance of material risk of loss using any of those strategies.

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Other investment strategies may be chosen by the Financial Advisor or Money Manager if they meet a client's particular financial needs, risk profile, and overall investment strategy. Cash management and some treasury services may also be offered. Financial Advisors may recommend that Advisory Clients engage in margin transactions. Purchasing securities on margin can amplify potential returns and losses. As such, purchasing securities on margin may result in losses greater than an Advisory Client's original principal. Clients should carefully review disclosures regarding risks, fees, and other considerations appearing in margin account agreements prior to opening margin accounts.

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

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Donnelly Steen & Company or the integrity of Donnelly Steen & Company's management. Donnelly Steen & Company has no information applicable to this Item.

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

Coastal Equities, Inc. is our affiliated broker/dealer. Coastal Equity Insurance Agency, LLC and Donnelly Steen Risk Advisors, LLC are licensed as general insurance brokers and agencies and properly licensed Financial Advisors may provide analysis of and recommend the purchase and sale of certain insurance products. DSCO may receive a commission or other form of compensation in connection with such sales and compensate Financial Advisors with a percentage of such commissions or other forms of compensation. Clients are not obligated to use Donnelly Steen & Company or CEI as their insurance broker or agent, or to use any recommended insurance company for any recommended insurance transaction.

Donnelly Steen & Company may utilize outside insurance agencies or brokers for help with the analysis and recommendation of insurance products and/or for insurance licensing and appointments with various states and insurance companies.

### **Time Spent on Other Activities.**

Principals of Donnelly Steen & Company may spend up to 90% of their time on other related or non-related activities, including management of the firm, recruiting, and

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registered representative activities, including the sale of commissionable products through CEI and/or the sale or recommendation of insurance products.

### **Broker/Dealer**

CEI is a member of FINRA, the MSRB, and SIPC and is registered in various states as required. CEI is an introducing broker/dealer with a fully-disclosed clearing arrangement through First Clearing Corp.

**Conflict of Interest:** The recommendation by DSCO representatives that a client purchase a securities or insurance commission product from the firm's affiliated broker-dealer or insurance agency presents a ***conflict of interest***, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any securities or insurance commission products from DSCO and/or its representatives. Clients are reminded that they may purchase securities and insurance products recommended by DSCO through other, non-affiliated broker-dealers and/or insurance agencies. **DSCO's Chief Compliance Officer, Michael E. Donnelly, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

### **Item 11 – Code of Ethics**

Donnelly Steen & Company has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Donnelly Steen & Company must acknowledge the terms of the Code of Ethics annually, or as amended.

Donnelly Steen & Company anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which Donnelly Steen & Company has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which Donnelly Steen & Company, its affiliates and/or clients, directly or indirectly, have a position of interest. Donnelly Steen & Company's employees and persons associated with Donnelly Steen & Company are



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required to follow Donnelly Steen & Company's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Donnelly Steen & Company and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for Donnelly Steen & Company's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Donnelly Steen & Company will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of Donnelly Steen & Company's clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics to reasonably prevent conflicts of interest between Donnelly Steen & Company and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with Donnelly Steen & Company's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. Donnelly Steen & Company will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order.

Donnelly Steen & Company's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Michael Donnelly, Chief Compliance Officer.

It is Donnelly Steen & Company's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. Donnelly Steen & Company will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in

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which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

## **Item 12 – Brokerage Practices**

### *The Custodian and Brokers We Use*

Donnelly Steen & Company does not maintain custody of your assets, although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account (see *Item 15 – Custody*, below). Your assets must be maintained in an account at a “qualified custodian (QC),” generally a broker/dealer or bank. We recommend that our clients use Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member SIPC, TD Ameritrade (TD), a registered broker-dealer, member SIPC, Fidelity Brokerage Services LLC (Fidelity), Members NYSE, SIPC, or First Clearing, LLC (First Clearing), a registered broker-dealer, member SIPC, a wholly owned subsidiary of Wells Fargo Bank, as the QC. Client accounts held at First Clearing are held via a relationship with our affiliate, Coastal Equities, Inc. (Coastal), an introducing broker/dealer. We are independently owned and operated and are not affiliated with Schwab, TD, Fidelity or First Clearing, although we are affiliated with Coastal. The QC will hold your assets in a brokerage account and buy and sell securities when we instruct them to. While we recommend that you use one of the aforementioned as custodian/broker, you will decide whether to do so and will open your account with a qualified custodian by entering into an account agreement directly with them. We do not open the account for you, although we may assist you in doing so. Not all advisors require their clients to use a particular broker-dealer or other custodian selected by the advisor. Even though your account is maintained at one of the aforementioned QC’s, we can still use other brokers to execute trades for your account as described below (see “*Your Brokerage and Custody Costs*”).

### *How We Select Brokers/Custodians*

We seek to recommend a custodian/broker who will hold your assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others:

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- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
  - Capability to execute, clear, and settle trades (buy and sell securities for your account)
  - Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
  - Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds [ETFs], etc.)
  - Availability of investment research and tools that assist us in making investment decisions
  - Quality of services
  - Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
  - Reputation, financial strength, and stability
  - Prior service to us and our other clients
  - Availability of other products and services that benefit us, as discussed below (see *"Products and Services Available to Us"*)

#### *Your Brokerage and Custody Costs*

For our clients' accounts that an aforementioned QC maintains, the QC generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your QC account.

In addition to commissions, a QC charges you a flat dollar amount as a "prime broker" or "trade away" fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your QC account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we have execute most trades for your account at the QC, however, in some cases, we may obtain better pricing on a security or be able to obtain a security that may not be available at the QC at a different broker-dealer.

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We have determined that having a QC execute most trades is consistent with our duty to seek “best execution” of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see “*How We Select Brokers/Custodians*”).

*Products and Services Available to Us From QC’s*

QC’s provide us and our clients with access to institutional brokerage—trading, custody, reporting, and related services—many of which are not typically available to retail customers. QC’s also make available various support services. Some of those services help us manage or administer our clients’ accounts, while others help us manage and grow our business. QC’s support services generally are available on an unsolicited basis (we don’t have to request them) and at no charge to us. Following is a more detailed description of QC’s support services:

Services That Benefit You. Institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. The services described in this paragraph generally benefit you and your account.

Services That May Not Directly Benefit You. Other products and services are available to us that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients’ accounts. They include investment research, both a QC’s own and that of third parties. We may use this research to service all or a substantial number of our clients’ accounts, including accounts not maintained at the QC. In addition to investment research, the QC also makes available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of our fees from our clients’ accounts
- Assist with back-office functions, recordkeeping, and client reporting

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Services That Generally Benefit Only Us. QC's also offer other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events
- Consulting on technology, compliance, legal, and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers

A QC may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. A QC may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. A QC may also provide us with other benefits, such as occasional business entertainment of our personnel.

#### *Our Interest in a QC's Services*

The availability of these services benefits us because we do not have to produce or purchase them. We don't have to pay for services so long as our clients collectively keep a minimum dollar amount of their assets in accounts at the QC. That minimum dollar amount may vary with each QC. Beyond that, these services are not contingent upon us committing any specific amount of business to a QC in trading commissions or assets in custody. The applicable minimum may give us an incentive to recommend that you maintain your account with a particular QC, based on our interest in receiving services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of an aforementioned QC as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of services (see "*How We Select Brokers/Custodians*") and not services that benefit only us.

Soft dollar benefits are not limited to those clients who may have generated a particular benefit although certain soft dollar allocations are connected to particular clients or groups of clients. Soft dollar benefits are not proportionally allocated to any accounts that may generate different amounts of the soft dollar benefits.

#### *Brokerage Discretion – Prime Brokerage*

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For a number of discretionary client accounts, Donnelly Steen & Company currently has the discretionary authority to pick a broker (other than a client's current Custodian) to execute a fixed income trade. Each trade placed at a broker other than a client's selected Custodian will cost the client up to \$25.00, which is charged by the Custodian to settle the trade. This is in addition to any mark-up or mark-down that may be paid to the broker/dealer Donnelly Steen & Company selects to buy or sell the security. Clients must qualify for prime brokerage to participate in these transactions. To qualify for prime brokerage transactions, clients must maintain a minimum portfolio value of \$100,000 or more and sign the appropriate prime brokerage paperwork with the custodian. Donnelly Steen & Company may use this discretionary authority to trade away from the custodian when purchasing or selling fixed income securities only. It is not used in all cases. Reasonable restrictions on this authority may be imposed, as described above.

#### *No Brokerage Discretion*

If a client account does not qualify for prime brokerage, Donnelly Steen & Company will not have the ability to trade at any other broker other than the client's selected Custodian (without the client's specific consent). All transactions for a client's account will be directed to its chosen Custodian unless permission is granted by a client to Donnelly Steen & Company for prime brokerage trades.

If a client account does not qualify for prime brokerage, Donnelly Steen & Company will not have the ability to trade at any other broker other than the client's selected Custodian (without the client's specific consent). All transactions for a client's account will be directed to its chosen Custodian unless permission is granted by a client to Donnelly Steen & Company for prime brokerage trades.

#### *Trade Errors*

If a trade error occurs in a client account and it is Donnelly Steen & Company's error, Donnelly Steen & Company will correct the error so the client account does not suffer a loss. However, it is possible that the client may not profit from the error, even if the correction results in a profit. For example, clients that select Schwab as their custodian should be aware that Schwab may keep all trade error profits on an error regardless of how the error was caused.

#### *Block Trading (Mini Blocks) and Trade Allocations*

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Donnelly Steen & Company may “aggregate” or “block” purchases or sales of the same security for multiple accounts. Each account participating in the block will receive the average price if multiple executions are required to complete the order. Donnelly Steen & Company may block multiple client accounts together that qualify for prime brokerage trading activity. Participating clients will receive the average execution price and their pro rata share of transaction costs. However, because of Donnelly Steen & Company’s practice of managing portfolios on an individual basis, Donnelly Steen & Company does not frequently block transactions except for certain accounts managed in accordance with a model. Thus, Donnelly Steen & Company’s ability to take advantage of volume discounts or other potential cost and execution advantages of block trades may be limited.

#### *Directed Brokerage*

In directing Donnelly Steen & Company to use a specific custodian and/or broker/dealer (other than those recommended by Donnelly Steen & Company) clients should understand that Donnelly Steen & Company will not have the authority to negotiate commissions among various Custodians or obtain volume discounts. This may also affect our ability to achieve best execution.

***For Schwab accounts:*** These services may be available to independent investment advisers on an unsolicited basis, at no charge to them as long as a total of at least \$10 million of the adviser’s clients’ assets are maintained in accounts at Schwab Institutional, and are not otherwise contingent upon Adviser 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. If a client account custodied at Schwab is based upon transaction-based pricing, the participation in the wrap fee sponsored by Donnelly Steen & Company may present a disincentive for Donnelly Steen & Company to effect securities trades in the client account inasmuch as Donnelly Steen & Company will pay the transaction/execution costs associated with such trades directly to Schwab. For Donnelly Steen & Company’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.

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***For First Clearing accounts:*** By recommending certain programs, Donnelly Steen & Company is also recommending itself and its affiliated broker/dealer, Coastal Equities, Inc. Donnelly Steen & Company may have an incentive to recommend programs that generate revenue for Donnelly Steen & Company and its affiliated broker/dealer over other programs to the extent that such arrangements generate higher total income for Donnelly Steen & Company and its affiliates. In addition, clients should understand that this brokerage arrangement may cause the client to forego any potential savings on execution costs that Donnelly Steen & Company otherwise might be able to negotiate with different broker/dealers, such as reduced execution costs that may result from utilizing alternative trading services.

**DSCO's Chief Compliance Officer, Michael E. Donnelly, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any conflict of interest it may present.**

### **Item 13 – Review of Accounts**

Each account receives at least an annual review by a Financial Advisor. Additional reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).

Reviews are based on objectives and parameters established by clients, which are generally memorialized through their individual advisory agreements and/or investment policy statements.

While Financial Advisors will typically evaluate the continued suitability of specific Money Managers (as applicable), managed account platforms, and wrap programs during account reviews, the administrators of such platforms and programs (which may be Donnelly Steen & Company, a Custodian, or another third-party) may also perform their own reviews of managers appearing on the platforms and programs. Any such reviews will be disclosed in the separate Disclosure Documents maintained by the administrators to applicable platforms and programs.

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



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We receive an economic benefit from QC's in the form of the support products and services made available to us and other independent investment advisors whose clients maintain their accounts with the aforementioned QC's. These products and services, how they benefit us, and the related conflicts of interest are described above (see *Item 12 – Brokerage Practices*). The availability to us of products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

## **ADDITIONAL COMPENSATION**

### **Solicitors**

Donnelly Steen & Company can directly compensate some individuals for client referrals and their on-going business, which subject such individuals to a conflict of interest. Compensation is paid and appropriate disclosures are made in compliance with the SEC Cash Solicitation Rule 206(4)-3. The compensation paid to such third-parties generally represents a percentage of management and/or incentive fees paid by the client to Donnelly Steen & Company. The compensation paid by Donnelly Steen & Company is for the solicitation services provided by the third-party solicitor and for referring the potential client to Donnelly Steen & Company. These solicitation services include making introductions and providing information and materials about the advisory services of Donnelly Steen & Company. In no event will such solicitation services include providing investment advisory services. The compensation paid by Donnelly Steen & Company for these solicitation services is paid completely by Donnelly Steen & Company from the management fees earned, which are not increased or passed through to the referred client in any way as a result of a third-party solicitor's involvement in the introduction.

**DSCO's Chief Compliance Officer, Michael E. Donnelly, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any conflict of interest it may present.**

## **Item 15 – Custody**

Under government regulations, we are deemed to have custody of your assets if, for example, you authorize us to instruct a QC to deduct our advisory fees directly from your account or if you grant us authority to move your money to another person's account. The QC maintains actual custody of your assets. You will receive account statements directly

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from the QC at least quarterly. They will be sent to the email or postal mailing address you provided to them. You should carefully review those statements promptly when you receive them.

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

DSCO usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. This discretionary authority also allows Donnelly Steen & Company to determine the Money Manager to be used for client account(s). In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, DSCO observes the investment policies, limitations and restrictions of the clients for which it advises.

Clients may impose reasonable restrictions on this authority, (i.e., no defense stocks, no tobacco, etc.). Investment guidelines and restrictions, and any subsequent modifications thereto, must be provided to DSCO in writing. Donnelly Steen & Company reserves the right to refuse to open an account or to terminate an account if it is believed, in Donnelly Steen & Company's sole opinion, that the restrictions placed are excessive and would limit its abilities to manage the account effectively and prudently. Clients should also understand that the imposition of portfolio restrictions may affect performance of the affected portfolio(s), either positively or negatively.

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

As a matter of firm policy and practice, Donnelly Steen & Company does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Donnelly Steen & Company may provide advice to clients regarding the clients' voting of proxies.

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## **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Donnelly Steen & Company's financial condition. Donnelly Steen & Company 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.