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**Wrap Fee Program Brochure**  
**Dated: March 12, 2013**

This wrap fee program brochure provides information about the qualifications and business practices of Cadaret, Grant & Co., Inc. If you have any questions about the contents of this brochure, please contact us at 800.288.8601. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Cadaret, Grant & Co., Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Where ever Cadaret, Grant & Co., Inc. is referred to as a "registered investment adviser" throughout this document, the term "registered" does not imply a certain level of skill or training. "Registered" means Cadaret, Grant & Co., Inc. has filed the necessary documentation to maintain registration as an investment advisor with the Securities and Exchange Commission.

**Material Changes**

Cadaret, Grant & Co., Inc. ("Cadaret, Grant" or "the firm") is required to disclose all material changes to this brochure since its last update. . The prior version of this brochure was last updated on March 27, 2012. The terms and conditions of services offered and fees charged to clients of Cadaret, Grant's wrap fee program business have not materially changed since the previous version of the brochure.

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## **Services, Fees and Compensation**

Cadaret, Grant has organized and administers Cadaret, Grant's All Inclusive or Flat Fee, Arrangement (hereinafter referred to as "CGAIFFA") and Advisor's Edge Programs. These programs will be offered to interested clients by the IARs of Cadaret, Grant. Through consultation with the client, the Investment Advisor Representatives (IARs) will obtain necessary financial data from the client, assist the client in determining the suitability of the account, and help the client set the appropriate investment objectives and select a portfolio manager whose investment style and philosophy is consistent with the client's investment objective.

The types of portfolio management services offered through these programs generally include Separately Managed Accounts (SMAs) and mutual fund and exchange traded fund (ETF) models. SMA programs offer professional account management taking into consideration individual risks and objectives. Within these programs, the portfolio manager provides individual account management. The portfolio managers who provide these services may specialize in a specific area of the investment industry or provide private management services related to a variety of investment disciplines. SMA account portfolios usually include stocks and/or bonds, cash and other investment vehicles.

Mutual fund and ETF models are programs within which portfolio managers perform due diligence to select mutual fund and ETFs to be included in the portfolios they create. The portfolio managers also determine the asset allocations within each portfolio and perform periodic rebalancing. In addition, the portfolio managers periodically change the mutual funds and ETFs included in their portfolios based on their due diligence findings and adjust allocations based on their research and analysis.

Unless otherwise agreed to, the client shall at all times maintain full and complete ownership rights (i.e., the right to add or withdraw securities or cash, pledge securities and vote securities) to all assets held in his/her account. An exception may occur if the client has pledged the account to a third party. It is Cadaret, Grants policy to have the client exercise their right to cast their own proxy votes. Account assets will at no time be "pooled for investment" by Cadaret, Grant or any of the portfolio managers.

The client's account fee under CGAIFFA and the Advisor's Edge covers such services as portfolio management (stock, bond and mutual fund analysis, market analysis, asset allocation decisions, etc.), stock, bond, and mutual fund executions, per trade reporting, monthly reporting by custodian, performance reporting, investment objectives, and goal setting analysis, account servicing, writing and updating investment policy statements, and continual investment account management. These services if purchased separately may be more or less expensive compared to if the services were purchased together. The amount of compensation received by the IAR may be more or less than what would be

received if the client invested in other programs or investments offered by Cadaret, Grant. There are several factors which may determine whether such cost would be more or less, including but not limited to the following: the size of the portfolio; the specific investments made by the client; the amount of trading effected by the portfolio manager(s) and the actual cost of such services if purchased separately.

Under Advisor's Edge, the minimum annual account fee charged will be 0.75% and the maximum annual asset fee charged will be 2.20% plus an account administrative fee of \$37.50 per quarter for accounts with less than \$100,000. Cadaret, Grant reserves the right to negotiate the minimum annual account fee. Fees are billed in advance of each calendar quarter based on the value of the account on the last business day of the ending quarter, and if applicable, an administrative fee. The initial quarterly fee will be prorated and the remainder of the quarters will be billed at the standard fee. Cadaret, Grant will send a quarterly billing invoice to the client and the custodian setting forth the fee due in advance for that quarter and the manner in which the fee is calculated. The client authorizes payment of the fee directly to Cadaret, Grant from the account upon presentation of this invoice. Additional deposits of funds and/or securities will be subject to the foregoing billing calculation. In the event the account is not opened on the first day of a calendar quarter, the initial quarter's assessment will be prorated. The IAR has the discretion to discount fees.

Under CGAIFFA, the amount of fees charged annually to the client is a function of portfolio size. Accounts with under \$ 1,000,000 dollars are charged a maximum 2.2% per year. However, the IAR reserves the right to negotiate fees. For accounts with more than \$1,000,000 dollars in assets, the annual account fee is negotiable. Of the account fee, the portion received by the portfolio manager ranges up to 1.5%. The account fee is computed and payable in advance as one quarter of the total annual account fee based on the account balance on the last business day of the previous calendar quarter. The initial quarterly fee will be prorated and the remainder of the quarters will be billed at the standard fee. Cadaret, Grant, through Pershing, LLC, or other similar clearing and custody firms such as Schwab, will automatically debit the Annual Account Fee from the client's Account.

The account fees noted above are separate and distinct from other fees that might apply, including transaction fees, custodial fees, and underlying mutual fund fees and expenses paid to the fund by shareholders of the fund as outlined in each fund's prospectus. In addition to the account fees noted above, the client may also incur certain charges imposed by third parties other than Cadaret, Grant or the IAR, such as custodians, in connection with investments made through the Advisor's Edge and CGAIFFA programs. Some common types of charges the client may incur include charges related to transfers, distribution of funds, systematic investments and withdrawals and exchanges, account termination, mutual fund or money market 12b-1 fees and sub-transfer agent fees, mutual fund and money market management fees and administrative expenses, mutual fund transaction fees, certain deferred sales charges on previously purchased mutual funds transferred into the account, other transaction charges and service fees, IRA and qualified retirement plan fees, and other charges that may be required by law. Custodial fees may vary based on the type of account. For instance, some types of retirement accounts may

carry higher custodial maintenance fees than others. There may also be a service fee or handling fee per transaction. Cadaret, Grant and the IAR may receive a portion of the fees described above.

Further information regarding fees and charges assessed by a mutual fund is available in the appropriate mutual fund prospectus. Certain fee amounts and arrangements are negotiable and Cadaret, Grant may, in its sole discretion, waive any fee, whether on an ongoing or a one-time basis. Cadaret, Grant may also allow for the aggregation of assets from "related accounts" for purposes of determining the amount of assets under management and, thus, the applicable advisory fee paid by a client. Cadaret, Grant reserves the right to determine whether accounts are "related" for purposes of the forgoing aggregation exception.

IARs of Cadaret, Grant recommending CGAIFFA and the Advisor's Edge are also registered with Cadaret, Grant as registered representatives of its broker-dealer business and may be RR or IAR for client's other account(s). As a result, the RR/IAR may receive compensation for acting in their respective capacities. In the capacity as the IAR for a client's wrap fee account, the IAR will receive a portion of the fee as compensation for the client's participation in the program, and therefore may have a financial incentive to recommend CGAIFFA and the Advisor's Edge over other programs or services, which may create a conflict of interest. Also, a portion of the fee charged by Cadaret, Grant will be paid to the selected portfolio manager managing the client's portfolio.

### **Account Requirements and Types of Clients**

The minimum asset levels required to participate in the Account normally range from fifty thousand (\$50,000) to one hundred thousand dollars (\$100,000). At the portfolio manager's discretion and with Cadaret, Grant's approval Accounts below the minimum asset levels may be accepted on a case by case basis.

CGAIFFA and the Advisor's Edge Accounts are available for various individuals and entities, including but not limited to, individuals, pension and profit sharing plans, trust, estates, charitable organizations, corporations and small businesses.

### **Portfolio Manager Selection and Evaluation**

Cadaret, Grant does not select or recommend portfolio managers. Cadaret, Grant performs ongoing due diligence of the portfolio managers already utilized within the CGAIFFA program and initial due diligence of portfolio managers proposed by IARs. Through its due diligence process, Cadaret, Grant considers whether or not IARs may begin or continue to utilize the investment management services of portfolio managers within the CGAIFFA program. Cadaret, Grant's Due Diligence Committee reviews portfolio managers based on several factors. Some factors include but are not limited to, assets under management, firm history, performance returns, management turnover, disciplinary information, and regulatory filings. The Committee's review is also based on documentation portfolio managers are required to provide. Required documentation includes a completed due diligence questionnaire, disclosure documents, privacy policy,

code of ethics, summary of business continuity plan and marketing materials. Cadaret, Grant may recommend replacement of portfolio managers for the program based on its Due Diligence Committee's review findings.

IARs recommend portfolio managers to particular clients based on the manager's investment style and philosophy being consistent with the client's investment objective. The IAR and the client may choose to terminate the account or replace the portfolio manager based on a number of factors including, but not limited to, account reviews and performance of the portfolio manager, changes in client objectives, financial circumstances or operational issues.

The portfolio manager is responsible for all performance calculations and reporting to the IAR and the client. Cadaret, Grant does not review the performance information and performance information may not be calculated on a uniform and consistent basis. The IAR will monitor and review Account(s) and activity and performance of the portfolio manager.

Capital Strategy Group, Ltd. (CSG) is affiliated with Cadaret, Grant and is registered as an Investment Advisor with the Securities and Exchange Commission due to its affiliation with Cadaret, Grant. CSG acts as a portfolio manager for Cadaret, Grant's Advisors Edge program and as a portfolio manager to accounts within the CGAIFFA program. The principals of CSG may also be registered representatives and principals of Cadaret, Grant. In one or more of these roles, they may share in brokerage commissions paid in connection with investment transactions which are recommended by CSG in its capacity as advisor.

This presents a conflict of interest and may give Cadaret, Grant an incentive to recommend CSG rather than other portfolio managers. Cadaret, Grant addresses this potential conflict of interest by not recommending certain portfolio managers and/or products over others. Cadaret, Grant has also adopted a standard of conduct under its Code of Ethics which emphasizes putting the client's interest first and avoiding any conflicts of interest, by only making recommendations that are reasonably believed to be in the best interest of the client. Any violations of these standards are to be reported to Cadaret, Grant's senior management, who will evaluate violations and may impose sanctions. Potential conflicts are disclosed to clients through required disclosures such as this document. Cadaret, Grant's compliance department and senior management review and evaluate the facts and circumstances of conflicts that do arise on a case by case basis. As circumstance necessitates, Cadaret, Grant and/or IARs will contact clients directly to explain and/or address conflicts. Clients always have the option to purchase investment products that IARs recommend through other brokers or agents that are not associated with Cadaret, Grant. CSG is subject to the same due diligence process as the other portfolio managers that participate in the CGAIFFA aside from having to meet a threshold for total assets under management.

## **Client Information Provided to Portfolio Managers**

IARs communicate information about clients' financial circumstances to the clients' portfolio managers. This information may include investment objectives, risk tolerances, occupation, income net worth, age, marital status. This information is communicated to portfolio managers at the inception of each account and as any significant changes occurs to the clients' financial circumstances. It is the responsibility of the IARs and clients to notify the portfolio manager whenever there are significant changes or developments in the client's investment objectives or financial situation. This notification will allow the portfolio manager to make appropriate adjustments to the client's portfolio including rebalancing and/or reallocation of assets.

## **Client Contact with Portfolio Managers**

There are no restrictions on the ability of the client to contact his or her portfolio manager. However, it is usually more efficient for the client to contact his or her IAR first, so that they can set up a convenient meeting or conference time. The client will have the opportunity to meet with their IAR periodically to review the assets in their account(s), and performance of the portfolio manager.

## **Additional Information**

### **Disciplinary Information**

#### **Allegations**

In 2010, it was alleged the firm failed to provide eligible customers with appropriate discounts on both Unit Investment Trust (UIT) Rollover and breakpoint purchases. The firm failed to identify, and appropriately apply, sales charge discounts in approximately 4.4 percent of the transactions reviewed in a sample of customer purchases in certain top selling UITs. As a result, the firm overcharged certain customers. Upon discovery that the firm had been incorrectly interpreting the applicability of certain sales charge discounts, the firm conducted an analysis of all UIT transactions for a specific period of time. As a result of its review, the firm identified that customers were overcharged when purchasing UITs through the firm and will remediate those customers in according to the undertaking established by its Acceptance, Waiver and Consent. The firm failed to establish an effective supervisory system and written supervisory procedures reasonably designed to ensure that discounts were correctly applied on eligible UIT purchases. The firm did not have written policies and procedures that addressed UITs or informed registered representatives, trading personnel, or supervisors about the sales charge discounts associated with UITs. The firm relied on its trading desk to ensure that clients purchasing UITs received appropriate sales charge discounts, despite the fact that the firm failed to adequately train and inform trading personnel and their supervisors about such discounts. The firm had no supervisory review to determine whether trading personnel were providing customers with appropriate sales charge discounts, either through periodic review or exception reports. The firm was unaware that its UIT trading desk had been misinterpreting certain rollover provisions described in UIT prospectuses. The trading desk only provided firm customers with a sales charge discount when proceeds from the termination an existing UIT investment were invested in a new UIT.

The trading desk did not consider or apply a sales charge discount to UIT purchases funded with the proceeds from UIT redemptions, a discount these transactions were entitled to from the sponsors of most UITs sold by the firm. Additionally, the trading desk was unaware that some UITs offered breakpoints beginning at the \$25,000 investment level. The firm did not consider customer UIT purchases at \$25,000 to be eligible for a volume discount. The firm did not provide adequate guidelines, instructions, policies, or steps for brokers, trading personnel, or supervisors to follow to determine if a customer's UIT purchase qualified for, and received a sales charge discount. The firm needed to be diligent in providing guidance to brokers, supervisors and trading personnel on UIT sales charge discounts to ensure that customers did not pay more than the appropriate sales charge. In addition, the firm sold UITs that imposed a deferred sales charge. This deferred sales charge was generally charged upon redemption, if a customer sold a UIT before the deferred sales charges were imposed. In those UIT confirmations not issued directly by the UIT sponsor, the firm failed to ensure that customers' UIT purchase confirmation included the required legend, as set forth in NASD Rule 283(N), that "on selling your shares, you may pay a sales charge. For the charge and other fees, see the prospectus.

### **Sanctions**

Without admitting or denying the findings, the firm consented to sanctions and findings. The firm was censured, fined \$125,000, and agreed to complete the following undertaking: Provide remediation to customers who purchased UITs and qualified for, but did not receive, the applicable sales charge discount. The firm will submit to FINRA a proposed plan of how it will identify and compensate customers who qualified for, but did not receive, the applicable UIT sales charge discount. At a minimum, the plan must include the following provisions: The firm will review all customer UIT purchases effected during the relevant period, regardless of dollar amount, to determine if a customer qualified for a breakpoint, rollover, or exchange discount; when determining a customer's eligibility for a sales charge discount, the firm must aggregate same-day purchases by a customer, including related accounts, and UIT redemptions and terminations by a customer within 30 days of a UIT purchase; and for each customer who did not receive an appropriate sales charge discount of a UIT purchase, the firm will determine the excess sales charge paid by the customers and calculate monies owed, plus interest calculated from the date of the purchase through the date that the overcharge is returned to the customer at a rate set forth in section 6621(A)(2) of the Internal Revenue Code. FINRA will review the plan submitted by the firm and if the plan reasonably complies with the specific requirements, and is in keeping with the general purpose of the undertaking, FINRA will not object to the plan. The date that FINRA notifies the firm that it does not object to the plan shall be called the notice date. In the event FINRA does object to the plan, the firm will have the opportunity to address FINRA's objections and resubmit the plan within 30 days. A failure to resubmit to FINRA a plan that is reasonably designed to meet the specific requirements and general purpose of the undertaking will be a violation of the terms of the acceptance, waiver, and consent. The firm shall complete the remediation process within the 180 days from the notice date. Within 210 days of the notice date, the firm will submit to FINRA a schedule of all customers identified during the firm's review as having not received an appropriate sales charge discount. The schedule shall include details of the qualifying purchases and the



appropriate discount and total dollar amounts of restitution provided to each customer. In addition, within 210 days of the notice date, the firm will submit to FINRA a report that explains how the firm corrected its UIT systems procedures, and the results of the firm's implementation of its plan to identify and compensate qualifying customers, including the amounts and manner of all restitution paid. For good cause shown, and upon receipt of a timely request from the firm, FINRA may extend any of the procedural dates listed above.

### **Allegations**

State of Vermont Department of Banking, Insurance, Securities & Health Care Administration alleges that Cadaret, Grant and a former office of supervisory jurisdiction ("OSJ") failed to supervise reasonably a former registered representative and that the registered representative committed a violation of the Vermont Uniform Securities Act.

### **Sanctions**

This action has been disposed of as of June 17, 2011. The matter was disposed of by an administrative consent order between the regulator and Cadaret, Grant under which Cadaret, Grant neither admitted nor denied the findings of fact. The regulator's findings included facts stating that a former registered representative of the Cadaret, Grant failed to collect suitability information regarding certain variable annuity products and failed to use appropriate letterhead and e-mail address on her correspondence. In addition, the office of supervisory jurisdiction ("OSJ") responsible for this agent was found by the regulator to have failed to adequately supervise the agent. The regulator further found that no persons were harmed by the agent's actions, the Cadaret, Grant has terminated its affiliation with the agent and the OSJ, Cadaret, Grant has amended its supervisory procedures, Cadaret, Grant had no record of discipline with the regulator in over thirty (30) years of doing business in that state and Cadaret, Grant cooperated fully with the regulator.

### **Allegations**

FINRA found that Cadaret, Grant & Co. violated securities exchange act rule 17a-4, FINRA rule 2010, NASD rules 2110, 2310, 2821(b), 2821 (c), 2821(d), 3010, 3110. FINRA found that Cadaret, Grant, acting through one of its registered representatives recommended several variable annuity transactions to some elderly customers that were unsuitable due to a recommended enhanced death benefit rider that the representative did not have a reasonable basis to believe that the customers needed or would benefit from. FINRA found that Cadaret, Grant failed to adequately respond to red flags concerning the representative's variable annuity sales. FINRA found that Cadaret, Grant failed to have adequate systems and procedures to review variable annuity sales. FINRA also found that Cadaret, Grant failed to enforce its policies and failed to retain business emails for some of its representatives.

### **Sanctions**

Cadaret, Grant was censured and fined \$200,000 and agreed, within 90 days of the acceptance of the acceptance, waiver and consent, to provide written notice to each of the living customers offering to rescind the purchase of each of the variable annuities by offering to rebate to each of the affected living customers the purchase price of his or her original investment, interest and any applicable surrender charge (except to the extent

such surrender charges already have been paid by the firm), less the amount of any income received on or withdrawals from the variable annuities. In order to accept the offer of rescission, the customer will be required to surrender the annuity pursuant to a surrender form, which will direct the carrier to send the proceeds to the firm. In the event that any living customer has already surrendered the variable annuity, Cadaret, Grant shall offer that customer reimbursement of the surrender charges conditioned on Cadaret, Grant being provided satisfactory proof that the annuity was surrendered and surrender charges were incurred. Cadaret, Grant further consents to undertake a comprehensive review of its policies and procedures concerning suitability of variable annuities and, within 90 days of notice of acceptance the awc, the director of compliance must certify in writing to finra that (1) the firm has engaged in a comprehensive review of its policies and procedure concerning the suitability of variable annuities; and (2) as of the date of the certification, the firm has in place sufficient written policies and procedures designed to ensure compliance with its suitability obligation pertaining to variable annuities.

### **Other Financial Industry Activities**

The principal business of Cadaret, Grant is providing a full line of services as a FINRA member securities broker/dealer. In its capacity as a broker/dealer, Cadaret, Grant is involved in the sale of securities of various types, including stocks, bonds, mutual funds, limited partnerships, unit trusts, and variable annuities. Sales of securities products are carried out by independent contractor registered representatives who maintain registration and/or licenses through Cadaret, Grant. Please refer to the section titled *Portfolio Manager Selection and Evaluation* for information on how Cadaret, Grant addresses conflicts of interest.

Cadaret, Grant has entered into a contractual relationship with Capital Strategy Group, Ltd. to perform the administrative client reporting and billing arrangement with regard to Cadaret, Grant's The Investment Management System. For more information, please see Cadaret, Grant's Form ADV. Capital Strategy Group's Investment Committee may hold advisory accounts with Cadaret, Grant.

Cadaret, Grant Agency, Inc. (CG Agency), a licensed insurance agency, is under common ownership with Cadaret, Grant. IARs may be licensed life insurance agents with CG Agency and may sell insurance products to advisory clients. As a result, the IAR, in his/her capacity as a licensed life agent, may assist clients in implementing insurance recommendations offered to advisory clients. In this event, IARs, in their separate capacities as licensed insurance agents, will receive separate and typical commission compensation for insurance and/or annuity sales. Cadaret, Grant and the IAR receive additional compensation in the form of commissions and fees that are separate and distinct from the fees paid for advisory services. A potential conflict of interest may arise between the client's interest and the interest of the IAR in executing transaction through Cadaret, Grant. The client is not obligated to implement the IAR's recommendations by executing transactions through Cadaret, Grant. Please refer to the section titled *Portfolio Manager Selection and Evaluation* for more information on how Cadaret, Grant addresses conflicts of interest.

Cadaret, Grant and IARs recommend and select other investment advisers for clients and receive compensation from those advisors through Cadaret, Grant's Third Party Investment Advisor Program. This may create a material conflict of interest because IARs have an incentive to recommend these programs based on the compensation received, rather than on a client's needs. Please refer to the section titled *Portfolio Manager Selection and Evaluation* for more information on how Cadaret, Grant addresses conflicts of interest.

Cadaret, Grant receives a fee equal to a percentage of total client assets invested in SEI sponsored investments and custodied at SEI Private Trust Company in exchange for marketing and distribution support provided to SEI. Such services include but are not limited to appearances by SEI personnel at Cadaret, Grant conferences and events and the inclusion of SEI materials and information on Cadaret, Grant's website.

## **Code of Ethics, Participation or Interests in Client Transactions and Personal Trading**

Cadaret, Grant has adopted a Code of Ethics and Personal Securities Trading Policy to comply with SEC Rule 204A-1. The following is a summary of the main components of this Policy:

- Requirement that employees comply with all state and federal securities laws and regulations.
- Adoption of standards of conduct which emphasizes putting the client's interest first and avoiding any conflicts of interest.
- Protection of the client's personal non-public confidential information.
- Prohibition against the use of material non-public information (insider trading).
- Reporting of personal securities transactions for all "access persons".
- Requirement to report any violation of these policies to senior management.
- Imposition of sanctions for violations of these policies.

A complete copy of our Code of Ethics may be obtained by writing or calling Cadaret, Grant's Advisory Services Department. The Syracuse office mailing address 110 W. Fayette St. Syracuse, NY 13202 or toll free at 800.288.8601.

Cadaret, Grant is aware of the potential risks of a conflict in interest when Investment Advisor Representatives trade securities in their own accounts that they also recommend to clients or trade on behalf of clients. Conflicts arise when IARs have the ability to take advantage of investment opportunities that could have been made for clients or when they use their knowledge of pending client transactions to front-run such transactions. To address these potential risks, Cadaret, Grant's Code of Ethics includes reporting requirements that allow Cadaret, Grant access to review and monitor IARs personal trading activity. IARs must also refrain from executing a personal trade of the same general security as that of an advisory client, either for themselves or for a member of their household, on the same day as that of an advisory client's trade unless the client receives the better price or both trades are completed as a block trade and average pricing is applied (excluding open-end mutual funds and general obligations of the United

States). Transactions that are deemed inconsistent with this policy are subject to cancellation or correction at the IAR's expense.

### **Review of Accounts**

Reviews are performed by the IAR's at timed intervals that are appropriate for the individual client and/or the economic circumstances. Frequencies vary based on the needs of the client and market conditions. The IAR meets with the client to discuss the client's portfolio and underlying securities, account performance, the client's financial condition and circumstances, and the performance of the portfolio manager.

For accounts managed by CSG, CSG provides IARs and clients with quarterly reports detailing performance, activity in the account, and account holdings for the accounts. For all accounts within the CGAIFFA and Advisor's Edge programs, the custodian of the client's account will provide written confirmation of buy and sell activity, as well as a statement (at least quarterly) detailing all account activity and positions owned. At a minimum, all clients with CGAIFFA and Advisor's Edge accounts will receive a monthly and/or quarterly appraisal and an activity report provided by Cadaret, Grant, the custodian and/or other portfolio manager. These reports generally do not include written commentary about the client's account.

### **Financial Condition**

Cadaret, Grant has no financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.