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**Part 2A of Form ADV: Firm *Brochure***  
**Dated: March 12, 2013**

This 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 public disclosure 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 its 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 investment advisory business have not materially changed since the previous version of the brochure.

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## **Advisory Business**

Cadaret, Grant & Co., Inc. (Cadaret, Grant) is a registered investment advisor (RIA) with the Securities and Exchange Commission (SEC). Cadaret, Grant is also a registered broker/dealer, member of the Financial Industry Regulatory Authority (FINRA) and Securities Investor Protection Corporation (SIPC). Cadaret, Grant has been registered as an investment advisor since 1992, as a broker/dealer since 1985 and its principal owner is C&G Capital Corporation.

The principal business of Cadaret, Grant is providing a full line of services as a registered securities broker/dealer. In its capacity as a broker/dealer, Cadaret, Grant is involved in the sales of securities of various types including stocks, bonds, mutual funds, limited partnerships (LPs), unit investment trusts (UITs), and variable annuities. Cadaret, Grant does not sell proprietary products. Investment advisory services (Advisory Services) are available to associated persons who are licensed, when required, or approved as Investment Advisor Representatives (IARs) of Cadaret, Grant and to independently operated and unaffiliated registered investment advisors (advisors). IARs are independent contractors of Cadaret, Grant and not employees. Consequently, IARs may hold themselves out to the public using business names other than Cadaret, Grant. These are known as "doing business as" names or, more commonly, "DBAs". IARs who use DBAs must disclose on their advertising and correspondence materials that securities are offered through Cadaret, Grant.

Advisory Services consists of programs available within Cadaret, Grant's platform of products, as well as advisory services programs available through unaffiliated third-party investment advisor programs (TPIA). Advisory Services are designed to accommodate a wide range of investment philosophies and objectives. This allows IARs to select the programs that they believe are best suited to meet each client's individual needs and circumstances. Cadaret, Grant does not hold itself out as specializing in a particular type of advisory service. However, IARs may focus on certain types of advisory services over others.

Cadaret, Grant does not determine investment philosophies and strategies. Investment philosophies and strategies may vary by IAR. IARs are responsible for determining and implementing investment advice under the supervision of Cadaret, Grant. The client is advised that there is no guarantee, stated or implied, that the client's investment goals or objectives will be achieved.

Clients have access to a wide range of securities products, including common and preferred stocks; municipal, corporate, and government fixed income securities; limited partnerships; mutual funds; exchange traded funds (ETFs), options, UITs, direct investment programs and variable annuity products, as well as a wide range of other products and services including asset allocation services. IARs may offer advice on these and other types of investments based on the individual circumstances of the client.

Cadaret, Grant has developed The Investment Management System (TIMS) program, the Advisor's Edge program, Retirement Services, and Consulting Services. In the case of TIMS, IARs assist clients in the development of personalized managed portfolios.

In the case of Advisor's Edge, portfolio management is provided by Capital Strategy Group, Ltd., an affiliated registered investment advisory firm. Retirement Services allow IARs to assist qualified plans in the development of customized investment services, diversified investment menus, and participant advice and/or educational programs. Consulting Services allows IARs to provide consulting and financial planning services to clients on an hourly or flat-rate fee basis.

### **The Investment Management System (TIMS)**

Cadaret, Grant has created a billing and reporting service, The Investment Management System (TIMS). TIMS is an "advisor as portfolio manager" program that offers IARs the ability to implement a fee-based asset management program using a large selection of investments including no load and load-waived mutual funds, general securities (stocks, bonds and options), and other investments to achieve their client's investment objectives, all within one consolidated account. Each IAR has his or her own research techniques and investment strategies which they should explain to clients and apply to the creation of investment portfolios designed to achieve clients' investment goals.

The minimum account size is \$25,000. Cadaret, Grant reserves the right to negotiate the minimum account size. Transactions are implemented on a discretionary basis with the exception of general securities (stocks, bonds, and options), which will be executed on a non-discretionary basis. The IAR consults with the client before effecting general securities transactions. Transactions for client accounts will be executed independently, unless the IAR decides to purchase or sell the same securities for several clients at approximately the same time. The IAR may (but is not obligated to) combine or "batch" such orders to obtain the best execution and to equitably allocate among clients the difference in price that might have been obtained had such orders been placed independently. When batched, transactions will be averaged as to price and will be allocated among the IAR's clients in proportion to the purchase and sale orders placed for each client's account on any given day.

During any month in which there is activity in the account, the client will receive a monthly account statement from the custodian, Pershing, Schwab, or a similar clearing firm showing account activity and positions held in the account at month-end. In addition, the client will receive a confirmation of each transaction that. The confirmations will contain the information required by SEC Rule 10b. Upon request, the client will also be provided with any additional trade information required by SEC Rule 10b-10(a). The client will also receive a detailed quarterly performance report at the discretion of IAR. Finally, the client will receive an annual tax reporting statement from the account custodian with respect to taxable accounts and transactions.

The client will at all times maintain full and complete ownership rights (for example, the right to add or withdraw securities or cash, vote securities, and receive timely confirmations) to all assets in the account.

### **The Investment Management System II (TIMS II)**

TIMS II is an "advisor as portfolio manager" program that offers the IAR the ability to implement a discretionary fee-based asset management program using a broad range of investments including mutual funds, ETFs, publicly traded REITS and partnerships,

stocks, bonds, and options to achieve clients' investment objectives, within one consolidated account. Each IAR has his or her own research techniques and investment strategies which they should explain to clients and apply to the creation of investment portfolios designed to achieve clients' investment goals.

The minimum account size is \$25,000. Cadaret, Grant reserves the right to negotiate the minimum account size. Each IAR has his or her own research techniques and investment strategies, which they disclose to clients and apply to the creation of investment portfolios designed to achieve clients' investment goals. Transactions for client accounts will be executed independently, unless the IAR decides to purchase or sell the same securities for several clients at approximately the same time. The IAR may (but is not obligated to) combine or "batch" such orders to obtain the best execution and to equitably allocate among clients the difference in price that might have been obtained had such orders been placed independently. When batched, transactions will be averaged as to price and will be allocated among the IAR's clients in proportion to the purchase and sale orders placed for each client's account on any given day.

During any month in which there is activity in the account, the client will receive a monthly account statement from the custodian showing account activity and positions in the account at month-end. In addition, the client will receive a confirmation of each transaction that occurs within the account. Confirmations will contain the information required by SEC Rule 10b. Upon request, the client will also be provided with any additional trade information required by SEC Rule 10b-10(a). The client will also receive a detailed quarterly performance report at the discretion of IAR. Finally, the client will receive an annual tax reporting statement from the account custodian with respect to taxable accounts and transactions.

### **Advisor's Edge**

The Advisor's Edge program is available to clients through the IAR. Advisor's Edge offers the client a managed account chosen from specific asset allocation models developed by Capital Strategy Group, Ltd., a registered investment advisor affiliated with Cadaret, Grant. The account will consist of a mix of asset classes with weightings based on risk profile, investment objective, individual client preferences, and availability. The client will have the opportunity to periodically meet with the IAR to review the account. The account may be rebalanced at any time to help ensure that the account remains within reasonable deviation parameters of the specific asset allocation model selected by the client in order to maintain the chosen asset allocation or the specific model's objective, pursuant to the trading discretion granted within the Advisor's Edge Client Agreement.

The IAR will obtain the necessary financial data from the client, assist the client in determining the suitability of the account, and help the client identify the appropriate investment objectives. Each Advisor's Edge account will consist of a percentage mix of asset classes, composed of domestic and/or international fixed income and equity mutual fund shares, and/or ETFs.

Generally, several asset classes with varying degrees of risk will be used in a client's portfolio depending on the client's risk profile, investment objectives, individual client

preferences, and availability. Cadaret, Grant will have complete and unlimited discretionary trading authority to purchase and sell no-load and load-waived mutual funds, closed-end funds, and ETFs, and to liquidate previously purchased mutual funds, closed-end funds, and ETFs, pursuant to the investment objectives and model allocations the client chooses.

The client and the IAR will meet periodically to review the client's financial situation, investment objectives, and current portfolio. In addition, the IAR will be reasonably available to consult with the client concerning the client's account. The client will be responsible for all tax consequences resulting from any rebalancing or reallocation of the account.

During any month in which there is activity in the Advisor's Edge account, the client will receive a monthly custodial account statement from Pershing, or a similar clearing firm, showing account activity, as well as positions held in the account at month-end. In addition, the client will receive a confirmation of each transaction that occurs within the account. The client will also be provided with any additional trade information required by SEC Rule 10b-10(a). The client will also receive quarterly statements containing performance information, security holdings and fair market value. Finally, the client will receive an annual tax reporting statement from the account custodian with respect to taxable accounts.

The client will maintain full and complete ownership rights relating to the account, including the right to add or withdraw securities or cash to or from the account, pledge securities, vote securities, impose reasonable investment restrictions, and receive timely confirmations relating to all securities held in the account.

### **Retirement Services Program**

The Retirement Services program offers the IAR two ways to assist Plan Sponsors with customized investment advisory services, diversified investment menus, consulting and reporting, and participant educational programs.

### **Investment Supervisory Services**

Cadaret, Grant has contracted with Aspire Financial Inc. in Tampa, Florida, to provide recordkeeping services and third-party-administration services. Through these platforms, the IAR provides investment advisory service and assists Plan Sponsors with developing a customized investment plan to fit the needs of individual plan participants. Cadaret, Grant and the IAR may use various investment options, including mutual fund company shares (including no-load and load-waived mutual funds), ETFs, asset allocation models, or a combination to meet the specific needs of the plan. In addition to the various investment options, the plan and plan participants have the ability to hire the use of an approved sub-advisor on the platform for the creation and management of the investments offered to the plan.

Each plan will consist of a diversified mix of investment options to assist plan participants in meeting their individual needs. The mix and weightings of investments will be based on the available plan options and each plan participant's risk profile, investment objectives, and individual preferences. Each plan and plan participants will have the

opportunity to meet with the IAR at periodic educational sessions and the plan will have the opportunity to review the assets in the plan periodically with the IAR. The plan and plan participants will maintain full and complete ownership rights to all vested assets held within plan accounts.

Plan participants will have the ability to either generate online account statements through the plan's Web site provided by the recordkeeping agent, or receive account statements from the recordkeeping agent, showing account activity, positions, and asset values held in the account no less frequently than quarterly. Additionally, participants can make changes to their investment allocation on a periodic basis, in accordance with the terms of the respective plan documents. The assets of each plan account will be held at a qualified custodian.

#### **Fee Based Retirement Plan Services (Retirement Consulting)**

Plan Sponsors may retain the IAR to provide selected non-discretionary services for qualified plans. The IAR may provide one or more of the following consulting services: general information on legislative, Department of Labor and Internal Revenue Service matters of relevance to qualified plans; evaluation and recommendation of service providers, plan design, needs analysis, preparation of plan investment policy statement, performance analysis of investments or investment managers utilized by the plan, monitoring of investments selected by the Plan Sponsor for style drift and correlation with stated fund investment objectives, enrollment meetings for participants, ongoing investment education for participants regarding plan options, provide information and education in response to participant inquiries; provide individual financial and estate planning consultation to plan participants, and plan distribution consulting.

Plan assets will be held at a qualified custodian. The qualified custodian will designate a broker/dealer of record for plan assets other than Cadaret, Grant. The broker/dealer of record or qualified custodian may receive mutual fund sub-transfer agent fees and/or mutual fund 12b-1 fees, (collectively the fees) from investments in the plan. The broker/dealer of record or qualified custodian is responsible for ensuring such fees are used to offset the plan's administrative costs and that administrative costs that remain after the application of the fees are paid by the plan in accordance with the arrangement between the plan and the qualified custodian. Any fees remaining should be credited to the plan in accordance with the arrangement between the plan and the qualified custodian. Neither the IAR nor Cadaret, Grant, as RIA, participate in these fees. Additionally, neither the IAR nor Cadaret, Grant maintains responsibility for reviewing and/or monitoring such fees to ensure administrative costs are properly offset.

The person(s) signing the retirement plan agreement on behalf of the Plan must acknowledge he or she is authorized to do so and is a responsible plan fiduciary as defined by The Department of Labor's Employee Benefits Security Administration Section 408(b)(2) Fee Disclosure Rule. All recommendations or investment advice provided by the IAR will be based upon the information provided by the Plan Sponsor and/or plan participant as applicable. Cadaret, Grant and the IAR are "fiduciary" as defined under Section 3 (21) of ERISA only to the extent to which it provides investment advice, as defined by ERISA, to the Plan and/or the Plan's participants. The IAR will have



no discretionary authority or control with respect to the plan or plan assets. The Plan Sponsor and plan participants are under no obligation and are solely responsible for implementing any of the IAR's recommendations with respect to plan assets. IAR will not provide trade execution services with respect to plan assets. Cadaret, Grant and the IAR are not "fiduciary" to the Plan with respect to services not considered investment advice, as defined by ERISA, including but not limited to: investment education, consultation on plan design, and consultation related to evaluation and selection of service providers. Prior to the July 1, 2012 effective date of the Department of Labor's 408(b)(2) regulation, the disclosures required of the regulation can be found within the firm's Fee-based Retirement Plan Services agreement. These disclosures address items such as services, fees, payment notification, manner of payment, indirect compensation, and compensation to affiliates, related enterprises and subcontractors.

Cadaret, Grant and IAR acknowledge their duty to disclose and adequately address potential conflicts of interest, which may include IAR using its position as a fiduciary to promote or solicit the Plan Sponsor to enter into any agreement or otherwise conduct business with any entity or enterprise in which IAR has a financial interest ("Related Enterprise" or "Affiliate"). In the event Plan Sponsor does enter into any agreement or otherwise conduct business with any "Related Enterprise", Plan Sponsor will do so based solely on its knowledge and understanding of the other services available through the Related Enterprise or Affiliate.

#### **Consulting Services Program**

The IAR may offer the following consulting services to the client on either an hourly or fixed fee basis.

#### **Comprehensive Financial Planning**

Under this arrangement, the IAR will provide the client with a written, comprehensive financial plan that covers a broad range of planning analysis and issues specific to the client such as retirement, college planning, business, investments, tax and protection planning. The IAR utilizes Cadaret, Grant-approved computer-generated programs offered by certain third-party software vendors for financial analysis to provide general guidance toward accomplishing a stated investment goal. The maximum fee for this service is \$10,000. Cadaret, Grant reserves the right to negotiate the maximum fee for this service.

#### **Comprehensive Consultation**

Under this arrangement, the IAR will provide evaluation, analysis, and recommendations to the client for a particular area of concern without the preparation of a written financial plan. The maximum fee for this service is \$250 per hour. Cadaret, Grant reserves the right to negotiate the maximum fee for this service.

#### **Assessment Consultation**

Under this arrangement, the IAR provides general consulting services on issues such as investments, insurance, education and finance. The maximum fee is \$250. Cadaret, Grant reserves the right to negotiate the maximum fee for this service.

The client is under no obligation to implement securities recommendations through the IAR. If the client implements any investment recommendations through an IAR who is also associated with Cadaret, Grant as a registered representative, Cadaret, Grant and the IAR will receive additional commissions and/or fees for executing the client's transactions. This may create a conflict of interest for the IAR and Cadaret, Grant because the IAR and Cadaret, Grant would receive both the original consulting fee and the commissions or fees associated with the securities purchased or sold for the client.

### **Third Party Investment Advisor Programs**

Third Party Investment Advisory (TPIA) Programs reviewed and offered through Cadaret, Grant for use by the IAR include asset allocation strategies, mutual fund and exchange traded fund (ETF) models, separately managed account programs (SMAs), unified managed account programs (UMAs), wrap fee services, and other types of managed portfolios such as tax harvesting and tax efficiency strategies, risk management strategies and dynamic and tactical portfolios. Some programs may be more or less aggressive as compared to other programs. Some programs may also have higher or lower fees and expenses than other programs. These programs are sponsored by the TPIAs and are offered through selling agreements, solicitor/referral arrangements and other types of agreements between Cadaret, Grant and the TPIAs. Many of these TPIAs sponsor a broad range of investment programs. Cadaret, Grant management and due diligence personnel review these TPIAs.

Dependent on the agreement between Cadaret, Grant and the TPIA and based on the information provided by the client, the IAR will refer client to or assist the client in selecting a third party investment advisor (TPIA) who offers products and services that demonstrate an investment philosophy and style that appear to align with the needs of the client. The client is asked to provide detailed financial and other pertinent data to the IAR. The IAR helps the client determine the risk tolerance, investment goals, and other relevant guidelines. There can be no guarantee that the client's goals or investment objectives will be achieved by any specific program.

Asset allocation strategies are programs within which TPIAs themselves or the investment managers they select through their due diligence process, invest in mutual funds, ETFs or a variety of other securities across different asset classes. The purpose is usually to provide diversified holdings while attempting to generate consistent returns within a single strategy or model. Some asset allocation strategies have a specific breakdown of asset classes that they try to maintain over time, while others vary the composition as investment opportunities and circumstances change.

Mutual fund and ETF models are programs within which TPIAs perform due diligence to select mutual fund and ETFs to be included in the portfolios they create. The TPIAs also determine the asset allocations within each portfolio and perform periodic rebalancing. In addition, the TPIAs 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.

SMA programs offer professional account management taking into consideration individual risks and objectives. Within these programs, the TPIA generally either provides individual account management or, through its due diligence process, selects other professional investment managers. The TPIAs and professional investment 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.

Unified managed accounts, also known as overlay portfolios, combine the individual investment management services of SMA programs with multiple investment products such as mutual fund and ETF models and strategies to create portfolios that are customized to meet the needs of an individual client. Similar to SMAs, the TPIA generally either manages UMAs or, through its due diligence process, selects other professional investment managers who offer UMA services. The TPIAs and other professional investment managers who offer UMAs generally provide consolidated performance reporting and rebalancing across various products and accounts.

Wrap fee accounts may be invested in various models, strategies, SMAs, UMAs or other types of programs and are generally arrangements in which the client pays a single fee for execution and portfolio management services and traditional research, advisory and investment management services.

Clients should always refer to the TPIA's Form ADV Part II, or equivalent brochure, for a full description of their products and services and all related terms, conditions fees and expenses.

Under selling agreements between Cadaret, Grant and the TPIA, the IAR assists the client in selecting a suitable TPIA program such as an asset allocation strategy or SMA portfolio. Based on the type of the product or service selected, client assets are then either invested in the strategy or model or the TPIA begins to properly allocate the client's assets in the investment portfolio. The IAR will provide initial and continuing education and information regarding the program selected. The IAR will also explain rebalancing guidelines utilized within the program and meet with the client periodically to discuss changes to the client's financial circumstances. Clients should always refer to the TPIA's Form ADV Part II, or equivalent brochure, for a full description of the terms and conditions of their services and fees. Each client is provided a copy of applicable disclosure documents and Form ADV II prior to, or at the time of entering, into an advisory contract.

Solicitor or referral arrangements between Cadaret, Grant and TPIAs are formed through written solicitation agreements stating Cadaret, Grant and the IAR will conduct activities as a solicitor in compliance with the requirements of applicable state regulations and SEC Rule 206(4)-3 of the Investment Advisers Act of 1940, as amended and in each state where applicable. Each client is given a copy of the Solicitor Disclosure Document and Form ADV II prior to, or at the time of entering, into an advisory contract. Under these arrangements, the IAR will assist the client in identifying the client's objectives and refer

the client to a TPIA according to the client's stated objectives. The client typically enters into an agreement directly with the TPIA and the client's funds will be invested as recommended by the TPIA. The IAR will monitor the performance of the TPIA and coordinate communication between the client and TPIA. The IAR will not actively participate in the execution of any securities transactions for a client's TPIA account and will have no authority to determine, without obtaining specific client consent, the securities to be bought or sold, the amount of the securities to be bought or sold, or the broker/dealer to be used for the purchase or sale of securities in the client's TPIA account. Such decisions are made in accordance with the terms of the investment advisory agreement executed between the client and the chosen TPIA. The TPIA or its designee may have discretionary authority over the client's account. Clients should refer to the TPIA's Form ADV Part II, or equivalent brochure, for a full description of the terms and conditions of their services and fees.

Where TPIA services are provided to assets held in accounts maintained by Cadaret, Grant in its capacity as introducing broker/dealer, the account assets are maintained at an independent custodian such as Pershing, LLC (also commonly known as a clearing broker/dealer).

A complete list of TPIAs available through Cadaret, Grant is available upon request.

### **Assets Under Management**

As of December 31, 2012, discretionary assets under management totaled \$2,142,718,276 and non-discretionary assets under management totaled \$428,645,564.

### **Fees and Compensation**

Fee schedules vary based on the type of advisory service provided to a client. Applicable fee schedules are described below. Fees may be negotiated at the discretion of Cadaret, Grant.

Advisory fees are charged to clients of Cadaret, Grant's various advisory service platforms in exchange for account management, investment advice, consultation and other advisory services offered under the platforms. Advisory fees are separate and distinct from other fees that might apply to clients, including transaction fees, custodial maintenance fees, underlying mutual fund fees and expenses paid to mutual funds and other investment product companies by shareholders of those products as outlined in the applicable prospectuses. Some common types of transactions that may include associated processing fees and charges incurred by the client include trading, transfers, distribution of funds, systematic investments and withdrawals and mutual fund exchanges. Many different circumstances may cause fees and charges to vary account by account. Some of these circumstances include the type of security being traded and dollar amount and/or share quantity of the trade. 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.

### **The Investment Management System (TIMS) and The Investment Management System II (TIMSII) Fees**

The maximum annual asset management fee charged will be 2.20% in addition to an account administrative fee of \$25 per quarter for accounts with less than \$100,000. Fees are billed in advance of each calendar quarter based on the value of the account at the close of business on the last business day of the ending quarter, and if applicable, an administrative fee. Initial fees for new accounts will be calculated on a pro-rata basis for the remainder of that quarter. 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. To satisfy fee, funds will be deducted from the Account and, if necessary, from liquidating holdings in the following order: cash positions; money market funds or current positions in the account. Cadaret, Grant will review and evaluate, on a case by case basis, requests from clients to receive an invoice and pay their fee directly rather than from their accounts. The IAR has the discretion to discount fees.

Custody and clearing services are provided by Pershing LLC (Pershing), a member of BNY Securities Group and a subsidiary of The Bank of New York, or Charles Schwab and Co., Inc. (Schwab). Cadaret, Grant reserves the right to designate, from time to time, alternative clearing and custody arrangements. Custody of funds and securities is maintained by the various clearing firms, and not by Cadaret, Grant.

The agreement may be terminated for any reason by any party effective upon receipt of written notice of such termination by the parties. Since the significant portions of the functions conducted by the IAR and Cadaret, Grant are provided at the beginning of each quarter, there will be no refund of any portion of the fees paid by the client with respect to the quarter in which the termination becomes effective. However, the client will have immediate access to account assets, subject to any limitations or restrictions imposed by the custodian.

### **Advisor's Edge**

The minimum annual 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 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.

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 in connection with investments made through the Advisor's Edge program. These include 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. Cadaret, Grant and the IAR may receive a portion of these fees.

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.

#### **Retirement Services Program- Investment Advisory Services**

The maximum annual asset fee charged will be 2.20%. 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 may be charged. The IAR has the discretion to discount fees. Management fees are separate and distinct from other fees that might apply, including transaction fees, underlying mutual fund fees and expenses paid to the fund by shareholders of the fund as outlined in each fund's prospectus, and custodian fees. The Fees received by the broker/dealer of record or qualified custodian will be used to directly offset the plan's administrative costs. Administrative costs that remain after the application of the fees are paid by the plan in accordance with the arrangement between the plan and the qualified custodian. Any fees remaining will be credited to the plan in accordance with the arrangement between the plan and the qualified custodian. The IAR does not participate in administrative fees.

#### **Retirement Services Program- Fee Based Retirement Plan Services**

Fees are billed at the individual IAR's specific rate schedule. Fees are negotiable. The Plan Sponsor may elect to have fees payable based on an hourly rate, quarterly flat fee, quarterly fee per participant, annual flat fee, annual fee per participant, or on a quarterly basis as a percentage of plan assets. The IAR may not charge a fee in an amount more than \$500 and six months or more in advance. Plan Sponsors and plan participants are under no obligation to implement securities recommendations through the IAR. The maximum annual asset fee charged will be 2.20%. Fees are generally billed in arrears of each calendar quarter based on the value of the account on the last business day of the ending quarter, and if applicable, administrative fees are also billed in arrears. Fees may be billed in advance if agreed upon by IAR and Plan Sponsor. If a client pays fees in advance and the advisory contract is terminated prior to delivery of services, the client should

contact his/her IAR, who will in turn contact Cadaret, Grant. Hourly fees are generally payable from the Plan Sponsor upon receipt of an invoice for services provided. IARs have the discretion to discount fees. Advisory fees are separate and distinct from other fees that might apply, including transaction fees, underlying mutual fund fees and expenses paid to the fund by shareholders of the fund as outlined in each fund's prospectus, and custodian fees.

### **Consulting Services Program**

Fees are billed at the individual IAR specific rate schedule. Fees are negotiable. Fees may be charged on an hourly, flat, or fixed-fee basis, as well as in arrears or in advance, as may be determined under the Consulting Services Agreement. If a client pays fees in advance and the advisory contract is terminated prior to delivery of services, the client should contact his/her IAR, who will in turn contact Cadaret, Grant. The IAR may not charge a consulting fee to the client in an amount more than \$500 and six months or more in advance. The maximum fee for Comprehensive Financial Planning services is \$10,000. The maximum fee for Comprehensive Consultation services is \$250 per hour. The maximum fee for an Assessment Consultation is \$250. Cadaret, Grant reserves the right to negotiate the maximum fee for these services.

### **Third Party Investment Advisor Programs**

Under such agreements, compensation is generally provided to Cadaret, Grant and the IAR in exchange for introducing clients to the TPIA. Compensation may also be in exchange for the initial and continuing education and information that Cadaret, Grant and the IAR provide regarding the TPIA program selected. Compensation is usually a fixed percentage of the fees charged by the non-affiliated TPIA to the clients introduced by Cadaret, Grant or the IAR. The fees paid by the client are based on assets under management. Additional fees for other services provided by the TPIA, such as custody and transaction fees, may be charged by the TPIA. Specific information about the services provided and the fees associated with the services is contained in the TPIA's Form ADV Part II or similar disclosure brochure and client agreement. The client should carefully review the TPIA's Form ADV Part II, or equivalent brochure, to fully understand all services to be provided, as well as the fees and expenses that will be associated with those services, to determine (1) if compensation is payable before a service is provided; (2) when compensation is payable; (3) how a client may get a refund; (4) what conflicts of interest exist with respect to client's participation in the program; (5) how a client may terminate an advisory contract before its expiration date; and (6) if fees are negotiable.

TPIAs may impose a minimum dollar value of assets or other conditions for starting or maintaining accounts. Minimum account sizes are determined by the third-party advisor, not Cadaret, Grant. Clients should refer to the TPIA's Form ADV Part II, or equivalent brochure, for more information.

### **Capital Strategy Group, Ltd.**

Investors participating in managed and wrap fee account programs for which Capital Strategy Group, Ltd. provides portfolio management services should refer to CSG's Form ADV Part II for specific information about the services provided and fees associated with the services.

Clients should refer to each applicable TPIA's Form ADV Part II or similar disclosure brochure and client agreement for specific information about the services provided and fees associated with the services.

### **Other Forms of Compensation**

Cadaret, Grant participates in Pershing's FUNDVEST® ticket charge program. Through the program Cadaret, Grant may receive compensation in consideration of a separate service agreement which Pershing, LLC has entered into with various investment companies and including the money market fund(s) of various investment companies. Revenue received by Pershing, LLC allows the custodian to waive certain ticket charges for the participating funds. Asset-based and other revenues from such service agreements are shared between Pershing, LLC and Cadaret, Grant. Pershing's FUNDVEST® eligible funds can be used within Cadart, Grant's TIMS platform.

Investment Advisor Representatives of Cadaret, Grant are not paid a higher percentage rate for selling mutual funds or recommending money market funds that are included in such service agreements over other mutual funds or money market funds which are not. Information regarding an investment company's fees and expenses may be found in the specific mutual fund's prospectus.

Cadaret, Grant maintains relationships with other investment advisors where compensation for establishing accounts may be in the form of service fees, wrap fees, and/or commissions through the broker/dealer. Proper disclosure will be outlined in the applicable client agreement or solicitor disclosure form. Applicant maintains a relationship with its sister company, CSG, as a sub-advisor and portfolio manager to Cadaret, Grant's Advisors Edge program, which may create a conflict of interest. Cadaret, Grant and its agents may accept incentive awards except where prohibited by law, rules, or regulations. Persons associated with Cadaret, Grant in their capacity as a registered representative of Cadaret, Grant & Co., Inc., a FINRA broker/dealer, may receive separate and standard commissions.

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. Because Cadaret, Grant IARs receive no additional compensation for selecting TPIA programs with whom Cadaret, Grant maintains such arrangements, we do not believe IARs are subject to a conflict of interest when selecting a particular TPIA program that makes additional payments to Cadaret, Grant over a program that does not.

Cadaret, Grant receives additional financial support from investment companies who are considered Strategic Partners. In addition to the commissions and fees disclosed in a fund's prospectus fee table, Cadaret, Grant receives additional cash compensation from these Strategic Partners for ongoing marketing and education programs - IARs do not share in that compensation. In other words, Cadaret, Grant IARs are not paid a higher



percentage share of commissions or "trail" 12b-1 servicing fees for selling these funds over other products. A list of these investment companies can be found on Cadaret, Grant's website at: [www.cadaretgrant.com/investors/strategic\\_partners\\_list](http://www.cadaretgrant.com/investors/strategic_partners_list)

Certain product sponsors may also pay Cadaret, Grant distribution allowances, due diligence fees and compensation for marketing expenses. These additional payments are retained by Cadaret, Grant and not paid to IARs. IARs may receive marketing allowances or expense reimbursements from certain product sponsors. However, these are paid from the product sponsors own resources and not from client funds or assets. These arrangements do not impact the fees charged to clients by Cadaret, Grant, IARs or the product sponsors.

Cadaret, Grant and IARs who are also registered representatives of Cadaret, Grant may accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds. This practice presents a conflict of interest and gives Cadaret, Grant and its IARs an incentive to recommend investment products based on the compensation received, rather than on a client's needs. Cadaret, Grant has 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 and obtain recommended investment products and services through other brokers, agents, advisors, product sponsors, TPIAs and service providers not associated with or offered through Cadaret, Grant.

### **Disclosure to ERISA Plans**

Cadaret, Grant has disclosed in this Brochure potential conflicts of interest, such as receiving additional compensation from third parties (e.g., 12b-1 fees, due diligence fees, and revenue sharing) for providing marketing and other services in connection with certain investments. Cadaret, Grant has also developed policies designed to prevent potential prohibited transaction rules under the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended. For example, review the sub-section titled *Fee Based Retirement Plan Services (Retirement Consulting)* of the *Advisory Business* section which explains Cadaret, Grant's policy regarding the affiliated businesses of IARs. In addition, it is Cadaret, Grant's policy not to influence any IAR's advice or management of assets based on any compensation that Cadaret, Grant or the IAR might receive from third parties.

The ERISA Plan Sponsor is responsible for ensuring Cadaret, Grant and IAR have been furnished complete copies of all documents that establish and govern the plan and

evidencing client's authority to retain Cadaret, Grant as an Investment Adviser. Clients must promptly furnish to Cadaret, Grant any amendments to the plan and if any amendment affects the rights or obligations of Cadaret, Grant, such amendment shall be binding on Cadaret, Grant and IAR only when agreed to by Cadaret, Grant and IAR in writing.

Clients must maintain appropriate ERISA bonding coverage for their managed account(s) and must include within the coverage of the bond Cadaret, Grant, IAR and their personnel as may be required by law.

IARs, in their separate capacity as Registered Representatives of Cadaret, Grant, may retain a portion of the commissions charged to the client. These commissions may include mutual fund sales loads, 12b-1 fees and other potential charges and fees. When managing ERISA and qualified accounts, the IAR must lower or offset the management fee by the amount of 12b-1 fees and other commissions received in the event such types of compensation are received by the IAR in his/her individual capacity as a Registered Representative of Cadaret, Grant.

Cadaret, Grant prohibits IARs from providing advice to or managing assets for ERISA clients if conflicts of interest exist that Cadaret, Grant believes are prohibited by ERISA.

Prior to the July 1, 2012 effective date of the Department of Labor's 408(b)(2) regulation, the disclosures required of the regulation will be provided in one of or a combination of the following documents: amended and re-executed agreements designed to encompass the required disclosures; contract addendums; separate written disclosures; disclosures provided by third parties such as TPIAs. These disclosures address items such as services, fees, payment notification, manner of payment, indirect compensation, and compensation to affiliates, related enterprises and subcontractors.

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

(Not applicable)

## **Types of Clients**

The types of clients to whom Cadaret, Grant generally provides investment advice include: Individuals, high net worth individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and other business entities.

Minimum account size information can be found in the sections of this brochure titled Advisory Business and Fees and Compensation

## **Methods of Analysis, Investment Strategies and Risk of Loss**

IARs are responsible for determining and implementing investment advice under the supervision of Cadaret, Grant. The IAR may perform various techniques in analyzing investments for advisory clients which may include, but are not limited to, charting,

fundamental analysis, technical analysis, cyclical analysis and dollar cost averaging. The client is advised that there is no guarantee, stated or implied, that the client's investment goals or objectives will be achieved. Investing in Securities involves risk of loss that clients should be prepared to bear. As a result of this inherent risk, Cadaret, Grant and its IARs cannot represent, guarantee or even imply that our services and methods of analysis can accurately forecast future returns, accurately identify market highs and lows, or protect investors from investment losses as a result of economic downturns and market corrections.

All methods of analysis and investment strategies involve some material risks, including the risk of loss. Some of the material risks involved in charting and technical analysis include the potential for a lack of consideration given to the intrinsic value of specific investments. Technical analysis and charting focus primarily on economic factors and market conditions, which may overlook variables specific to a particular investment. Conversely, fundamental analysis generally focuses on more specific variables, such as a public companies financials, sales, earnings, debt, management, and assets. As a result, fundamental analysis includes the risk of not taking into consideration the overall state of the economy and markets. Cyclical analysis is also subject to material risks, which include uncertainty over how long cycles will last, when they will peak and when they will reach a bottom.

While much less common and not recommended to most clients, some IARs may provide short term trading as an investment strategy, or as part of, an investment strategy. In general, short term trading is a strategy that often involves more frequent trading where the IAR will try to identify the best times to be in and out of the market. This service is designed to take advantage of stock market fluctuations by being invested based on the anticipated market direction. Clients should be aware that this strategy is considered an aggressive, higher-risk investment strategy. Only clients that are looking for a speculative investment strategy should participate in a short term trading strategy offered by an IAR.

The majority of investment recommendations made by IARs through Cadaret, Grant's advisory services programs involve the use of mutual funds. Investing in mutual funds involves material risks, including the risk of loss. One of these material risks is the cost of sales charges, annual fees and other expenses impairing fund performance. Another risk is the potential for tax implications as a result of income and capital gains distributions. Investors may have to pay taxes on these distributions even if the fund went on to perform poorly after shares were purchased. Lack of control is also a risk that investors encounter. Investors and IARs typically cannot ascertain the exact make-up of a fund's portfolio at any given time, nor can they directly influence which securities the fund manager buys and sells or the timing of those trades. Another risk is price uncertainty. Mutual fund investors face this risk because the price at which shares are purchased and sold is based on the fund's net asset value, which may not be calculated until many hours after the transaction has already been processed. Clients should read a fund's prospectus and shareholder reports to learn about its investment strategy and the potential risks. For additional information on investing in mutual funds, we recommend reviewing the SEC's *Invest Wisely, An Introduction to Mutual Funds*, which can be found at the following web address: [www.sec.gov/investor/pubs/inwsmf.htm#pitfalls](http://www.sec.gov/investor/pubs/inwsmf.htm#pitfalls)

Some of the common risks you should consider prior to investing include, but are not limited to:

**Market risks:** The prices of, and the income generated by, the common stocks, bonds, and other securities you own may decline in response to certain events taking place around the world, including those directly involving the issuers; conditions affecting the general economy; overall market changes; local, regional, or global political, social, or economic instability; governmental or governmental agency responses to economic conditions; and currency, interest rate, and commodity price fluctuations.

**Company risks:** When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.

**Options Risks:** Options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.

**Interest rate risks:** The prices of, and the income generated by, most debt and equity securities may be affected by changing interest rates and by changes in the effective maturities and credit ratings of these securities. For example, the prices of debt securities generally will decline when interest rates rise and will increase when interest rates fall. In addition, falling interest rates may cause an issuer to redeem, "call," or refinance a security before its stated maturity date, which may result in having to reinvest the proceeds in lower-yielding securities.

**Credit risks:** Debt securities are also subject to credit risk, which is the possibility that the credit strength of an issuer will weaken and/or an issuer of a debt security will fail to make timely payments of principal or interest and the security will go into default.

**Foreign Market Risks:** Investments in securities issued by entities based outside the United States may be subject to the risks described above to a greater extent. Investments may also be affected by currency controls; different accounting, auditing, financial reporting, disclosure, and regulatory and legal standards and practices; expropriation (occurs when governments take away a private business from its owners); changes in tax policy; greater market volatility; different securities market structures; higher transaction costs; and various administrative difficulties, such as delays in clearing and settling portfolio transactions or in receiving payment of dividends. These risks may be heightened in connection with investments in developing countries. Investments in securities issued by entities domiciled in the United States may also be subject to many of these risks.

Your investments are not bank deposits and are not insured or guaranteed by the FDIC or any other governmental agency, entity, or person, unless otherwise noted and explicitly disclosed as such, and as such may lose value.

## **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 sub-section of this document titled *Conflicts of Interest* found under the section titled *Fees and Compensation* for information on conflicts of interest and how they are addressed.

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 sub-advisor and portfolio manager for Cadaret, Grant's Advisors Edge 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. Cadaret, Grant has entered into a contractual relationship with a sister company, Capital Strategy Group, Ltd., a Registered Investment Advisor with the SEC, to perform the administrative client reporting and billing arrangement with regard to TIMS. Capital Strategy Group's Investment Committee may hold advisory accounts with Cadaret, Grant. Please refer to the sub-sections of this document titled *Capital Strategy Group, Ltd* and *Advisors Edge* found under the sections titled *Advisory Business* and *Fees and Compensation* for information on the terms and conditions of the services offered and fees charged under these programs.

IARs who refer clients to Capital Strategy Group, Ltd. or Cadaret, Grant's Advisors Edge program receive compensation from these programs that 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 *Conflicts of Interest* sub-section under the section titled *Fees and Compensation* for more information on how Cadaret, Grant addresses conflicts of interest.

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 *Conflicts of Interest* sub-section under the section titled *Fees and Compensation* 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 *Conflicts of Interest* sub-section under the section titled *Fees and Compensation* 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.

## **Brokerage Practices**

Cadaret, Grant is also registered as a broker/dealer with the SEC and may provide various services as a broker/dealer for which it will be compensated by a commission.

Cadaret, Grant's IARs may recommend to their advisory clients that they utilize Cadaret, Grant broker/dealer services, in which case services are offered at the same cost as to non-advisory clients. However, if an Advisory Services client maintains a brokerage account with Cadaret, Grant, in its capacity of a broker/dealer, they may incur a higher transaction cost in the form of commissions or ticket charges than if their accounts were held elsewhere. Cadaret, Grant may enter into solicitation agreements with various investment advisors that offer one or more services to their clients, and expects to be compensated directly from the investment advisors to whom they have introduced clients. In this brochure, Cadaret, Grant has disclosed it has such agreements in place, and the manner in which compensation is received. However, in some instances Cadaret, Grant, in its capacity as a broker/dealer, may receive compensation in the form of commissions should an investment advisor place transactions through the broker/dealer.

Except as provided for in any wrap fee program, the brokerage commissions and/or transaction fees charged by Pershing, LLC, or any other designated broker/dealer are exclusive of and in addition to Cadaret, Grant's fee.

Cadaret, Grant and/or its IARs may recommend other broker/dealers to Advisory Services clients. Some factors in which Cadaret, Grant considers prior to recommending other broker/dealers include their financial strength, reputation, execution, pricing, and service. Currently Cadaret, Grant and its IARs recommend Charles Schwab & Co., Inc.

(Schwab) and Pershing, LLC (Pershing), registered broker/dealers and SIPC members, to maintain custody of client's assets and to effect trades for their advisory client's accounts.

Pershing, LLC also acts as Cadaret, Grant & Co., Inc. clearing broker. Cadaret, Grant is independently owned and operated, and is not affiliated with Schwab or Pershing.

The commissions and/or transaction fees charged by Pershing or Schwab may be higher or lower than those charged by other broker/dealers. The commissions paid by Cadaret, Grant's clients shall comply with Cadaret, Grant's duty to obtain "best execution."

However, a client may pay a commission that is higher than another qualified broker dealer might charge to effect the same transaction where Cadaret, Grant determines, in good faith, that the commission is reasonable in relation to the value of the brokerage and services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker/dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Consistent with the foregoing, while Cadaret, Grant and/or its IARs will seek competitive rates, they may not necessarily obtain the lowest possible commission rates for client transactions.

Schwab and Pershing provide Cadaret, Grant and/or its IARs with access to institutional trading, portfolio management, brokerage and custodial services, research, and access to

mutual funds and other investments that are otherwise generally available only for institutional investors or would require a higher minimum initial investment.

Schwab and Pershing, LLC do not charge a separate fee for custody of Cadaret, Grant's client accounts that they maintain, but are compensated by the account holders through commissions or other transaction related fees for security trades that are executed through them or settle into their accounts.

Cadaret, Grant may receive other products and services from Schwab or Pershing, LLC that benefits Cadaret, Grant but not client accounts. Some of these other products and services assist Cadaret, Grant in managing and administering client accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), facilitate payment of Cadaret, Grant's fees from its client's accounts, and assist with back office functions, record keeping and client reporting. These services may be used to service all or a substantial number of client accounts, including accounts not maintained at Pershing, LLC or Schwab Institutional.

Cadaret, Grant may also receive services from Schwab or Pershing, LLC that are intended to help Cadaret, Grant manage and further develop its business. These services may include information technology, regulatory compliance and marketing. In addition, Schwab or Pershing, LLC may make available, arrange and/or pay for these types of services rendered to Cadaret, Grant by independent third parties. Schwab Institutional or Pershing may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of the third party providing these services to Cadaret, Grant.

As a fiduciary, Cadaret, Grant endeavors to act in the best interest of its clients, and Cadaret, Grant's or its IARs may make recommendations that clients maintain their assets in accounts at Schwab or Pershing, LLC. These recommendations may be based in part on the benefits to applicant, such as the availability of some of the foregoing products and services and not solely on the nature, cost, or quality of custody and brokerage services provided by Schwab or Pershing, LLC, which may create a conflict of interest. Clients of Cadaret, Grant must be aware that if they direct Cadaret, Grant or its IARs to use a particular broker that it may limit Cadaret, Grant or its IARs the ability to achieve best execution, negotiate commissions with other brokers on behalf of the client, or limit the client's participation in block trading.

IARs may (but are not obligated to) combine or "batch" orders to obtain the best execution and to equitably allocate among their clients the difference in price that might have been obtained had such orders been placed independently. Account allocations must be determined prior to execution of any aggregate purchases or sales. Purchases and sales that are not aggregated when the opportunity exists should be placed in an order that does not give preferential treatment to one client over another. Examples include random, alphabetical or account number sequential order. When purchases and sales are not aggregated when the opportunity exists, the potential costs to clients are generally price related. For instance, some clients may receive worse prices than others based on

the timing or size of their orders as compared to other clients. Generally larger orders and round lot orders (100 shares of stocks or 5 bonds) receive better execution than smaller orders.

## **Review of Accounts**

For clients receiving investment advisory services from Cadaret, Grant, the IAR and/or Cadaret, Grant generally conduct reviews of accounts, at a minimum, on a quarterly basis. Financials plans are generally reviewed based on the arrangement between the IAR and client. IARs who have entered into an ongoing planning arrangement with a client generally review plans either on an annual basis or as changes to the client's financial circumstances occur. Clients are informed that if their investment objectives or financial condition change during the course of their investment program they should notify their IAR or Cadaret, Grant. This notification will trigger an account review. The IAR may introduce advisory clients to money managers or other investment advisory firms. These sponsors provide reporting, monitoring and review services as described in their respective contracts with the client.

Within TIMS, Cadaret, Grant provides IARs and their clients with quarterly reports detailing performance, activity in the account, and account holdings. Within this program, 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 receiving investment supervisory services will receive a monthly and/or quarterly appraisal and an activity report provided by Cadaret, Grant, custodian and/or other Investment Advisory Firm. These reports do not include written commentary about the client's account.

## **Client Referrals and Other Compensation**

Certain mutual funds and variable annuities in which clients may be invested may pay marketing fees, service fees, including shareholder service fees, or bonus commissions to Cadaret, Grant and IARs of Cadaret, Grant for marketing assistance or the performance of certain administrative tasks associated with making an investment in such fund or annuity. Any such fees received by Cadaret, Grant will not be credited against the fees otherwise payable by the client to Cadaret, Grant. Some employees of Cadaret, Grant and IARs, who are also registered representatives of Cadaret, Grant & Co., Inc., may receive 12b-1 distribution fees from mutual funds in which they have placed clients' funds. These persons may also receive standard and ordinary commission on sales of insurance products.

Cadaret, Grant participates in Pershing's FUNDVEST® ticket charge program. Through the program Cadaret, Grant may receive compensation in consideration of a separate service agreement which Pershing, LLC has entered into with various investment companies and including the money market fund(s) of various investment companies. Revenue received by Pershing, LLC allows the custodian to waive certain ticket charges for the participating funds. Asset-based and other revenues from such service agreements

are shared between Pershing, LLC and Cadaret, Grant. Pershing's FUNDVEST® eligible funds can be used within Cadart, Grant's TIMS platform.

Investment Advisor Representatives of Cadaret, Grant are not paid a higher percentage rate for selling mutual funds or recommending money market funds that are included in such service agreements over other mutual funds or money market funds which are not. Information regarding an investment company's fees and expenses may be found in the specific mutual fund's prospectus.

Cadaret, Grant maintains relationships with other investment advisors where compensation for establishing accounts may be in the form of service fees, wrap fees, and/or commissions through the broker/dealer. Proper disclosure will be outlined in the applicable client agreement or solicitor disclosure form. Applicant maintains a relationship with its sister company, CSG, as a sub-advisor and portfolio manager to Cadaret, Grant's Advisors Edge program, which may create a conflict of interest. Cadaret, Grant and its agents may accept incentive awards except where prohibited by law, rules, or regulations. Persons associated with Cadaret, Grant in their capacity as a registered representative of Cadaret, Grant & Co., Inc., a FINRA broker/dealer, may receive separate and standard commissions.

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.

Cadaret, Grant receives additional financial support from investment companies who are considered Strategic Partners. In addition to the commissions and fees disclosed in a fund's prospectus fee table, Cadaret, Grant receives additional cash compensation from these Strategic Partners for ongoing marketing and education programs - advisors do not share in that compensation. In other words, Cadaret, Grant IARs are not paid a higher percentage share of commissions or "trail" 12b-1 servicing fees for selling these funds over other products. A list of these investment companies can be found on Cadaret, Grant's website at: [www.cadaretgrant.com/investors/strategic\\_partners\\_list](http://www.cadaretgrant.com/investors/strategic_partners_list)

Certain product sponsors may also pay Cadaret, Grant distribution allowances, due diligence fees and compensation for marketing expenses. These additional payments are retained by Cadaret, Grant and not paid to IARs. IARs may receive marketing allowances or expense reimbursements from certain product sponsors. However, these are paid from the product sponsors own resources and not from client funds or assets. These arrangements do not impact the fees charged to clients by Cadaret, Grant, IARs or the product sponsors.

Such compensation arrangements, as described above, present a conflict of interest and gives Cadaret, Grant and its IARs have an incentive to recommend investment products

based on the compensation received, rather than on a client's needs. Please refer to the *Other Forms of Compensation* sub-section under the section titled *Fees and Compensation* for more information on how Cadaret, Grant addresses conflicts of interest.

If a client is introduced to Cadaret, Grant by an unaffiliated solicitor, Cadaret, Grant may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from Cadaret, Grant's advisory fee, and shall not result in any additional charge to the client. The solicitor, at the time of the solicitation, shall disclose the nature of his/her/its solicitor relationship, and shall provide each prospective client with a copy of Cadaret, Grant's Part II of Form ADV, including this brochure, together with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between Cadaret, Grant and the solicitor, including the compensation to be received by the solicitor from Cadaret, Grant.

## **Custody**

At a minimum, all clients with an account receiving investment supervisory services will receive a monthly and/or quarterly statement from the qualified custodian (Pershing, LLC or Schwab for TIMS accounts), detailing activity in the account, and account holdings. Clients should carefully review those statements. Clients of Cadaret, Grant's TIMS program also receive quarterly reports directly from Cadaret, Grant detailing performance, activity in the account, and account holdings. Clients are urged to compare the account statements they receive from the qualified custodian with the reports they receive from Cadaret, Grant.

## **Investment Discretion**

IARs using the TIMS program can provide discretionary account management services where discretion is limited to trading authority. Discretion is granted to IAR when the advisory client signs the TIMS Client Agreement. Once discretion has been granted, the IAR manages the client's account and may determine what securities to hold, sell, exchange, and invest and otherwise deal with the account's assets in a manner the IAR determines to be for the client's best interest without obtaining the client's consent prior to each transaction. Only IARs of the TIMS II program will have discretionary authorization to execute any general securities (stocks, bonds, options) transactions. The IAR's discretion will remain in effect until the TIMS Client Agreement is terminated according to the terms of the TIMS Client Agreement.

## **Voting Client Securities**

Cadaret, Grant and the IAR will not take any action on behalf of the client, and are not obligated to provide any advice to the client concerning:

(a) the voting of proxies solicited by, or with respect to, the issuers of any securities held in the client's portfolio(s) or

(b) legal proceedings involving securities or other investments currently or previously held in the client's portfolio(s), or the issuers of those securities, including bankruptcies. Unless Cadaret, Grant and the client make other written arrangements, the custodians will all such proxy and legal proceedings information and documents it receives to the client so that the client may determine what action to take.

### **Financial Condition**

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