

# INGALLS & SNYDER

INVESTMENT MANAGEMENT SINCE 1924

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## FORM ADV PART 2A - BROCHURE DECEMBER 18, 2013

This brochure provides information about the qualifications and business practices of Ingalls & Snyder, a registered investment adviser. If you have any questions about the contents of this brochure, please contact us at (212) 269-7800. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

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

## ***Item 2 – Material Changes***

Item 2 of this Brochure discusses material changes that have occurred since the firm's last annual amendment.

Effective December 18, 2013, Ingalls & Snyder amended Item 4 of this Brochure to update the dollar value of client assets at the Firm on a discretionary and non-discretionary basis.

Effective December 18, 2013, Ingalls & Snyder amended Item 10 of the Brochure to amend its statement of memberships with exchanges and regulatory bodies to FINRA, NYSE and the International Securities Exchange. Item 10 was also amended to provide disclosure of the Firm's commission sharing arrangement for sales of insurance products to prospects referred to the broker dealer by Ingalls and Snyder.

Effective December 18, 2013, Ingalls & Snyder amended Item 11 of the Brochure to amend its statement regarding board memberships by its adviser representatives to state that it does not currently have any advisor representatives who serve on a board of a publicly traded company.

Effective December 18, 2013, Ingalls & Snyder amended Item 12 of the Brochure to amend its controls and procedures related to advisory cross trades.

Effective December 18, 2013, Ingalls & Snyder amended Item 14 of the Brochure to provide revised disclosures relating to the Firm's relationships with third-parties for their referral of prospective clients to Ingalls and Snyder in return for a fee.

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

Ingalls & Snyder was founded in 1924 and became registered as an investment adviser in 1968. The Firm provides investment advice to individuals, banks and other financial institutions, pension and profit sharing plans, trusts and estates, charitable organizations, corporations and private investment entities. The Firm is a limited liability company organized under the laws of the State of New York. The Firm is beneficially owned by senior professionals of the Firm and is not publicly traded.

For the most part, each of the Firm's investment adviser representatives offers a distinct asset management style that is based upon, among other things, the research that the investment adviser representative conducts regarding issuers of securities and the market for securities. Each investment adviser representative manages his or her accounts on a discretionary basis in accordance with his or her management style. As a result, one or more investment adviser representatives may determine to acquire a security for particular advisory accounts while other investment adviser representatives may determine to dispose of the same security for advisory accounts which they manage on a discretionary basis. While each of the Firm's investment adviser representatives tend to manage accounts in accordance with an individual style, each investment adviser representative adapts his or her style based on the individual needs of his or her clients. Accordingly, the Firm seeks to achieve investment advice for each client that is suitable for his or her needs and risk tolerance. In addition to portfolio management, the Firm also provides financial planning services primarily involving asset allocation and third party manager selection for clients.

Ingalls & Snyder also provides investment advice to various private investment partnerships, including Ingalls & Snyder Value Partners L.P. and Underhill Partners L.P. ("Limited Partnerships").

As of September 30, 2013, Ingalls & Snyder manages \$2,837,311,583 on a discretionary basis and \$5,027,439 on a non-discretionary basis.

#### ***Item 5 – Fees and Compensation***

Ingalls & Snyder's advisory accounts are charged fees that are based primarily upon the value of client portfolios. The maximum annual fee Ingalls & Snyder charges for advisory accounts that maintain a portfolio comprised of equities or a portfolio comprised of equities and fixed income securities is 1.50% of the account's assets under management. With respect to advisory accounts that solely maintain a fixed income portfolio, the maximum fee Ingalls & Snyder charges is 1.00% of assets under management. The maximum annual fee Ingalls & Snyder charges for financial planning services primarily involving asset allocation and third party manager selection for clients is 1.00% of the account's assets under management. Individual investment adviser representatives each operate with their own approved fee schedules, which may provide decreasing fee percentages as account assets increase. However, Ingalls & Snyder may, from time to time, negotiate fees which deviate from the approved fee schedules.

Fees are generally billed quarterly in arrears based upon the value of the account on the last business day of the calendar quarter. At the request of clients, fees may be billed for three-month intervals other than calendar quarters and/or may be based upon the value of an account at

the beginning of the period. Certain clients pay a fixed-fee or a combined fixed-fee and a percentage of assets under management; if calculated as a percentage of the client's portfolio, such fees may exceed the ranges set forth above. The advisory fees charged by Ingalls & Snyder may be higher or lower than fees charged by other investment advisory firms.

An investment advisory relationship may be terminated by the client or by the Firm at any time upon thirty days written notification. In the event of termination, any fees paid in advance by a client will be refunded on a pro rata basis. Costs incurred in the transfer of assets or final disposition of assets are ordinarily borne by the party terminating the advisory account.

Clients who establish advisory accounts with Ingalls & Snyder generally pay other expenses in addition to the management fee paid to Ingalls & Snyder. Advisory clients may be charged fees and costs by the custodian of the advisory client's funds and securities. Similarly, clients generally determine the brokerage firm through which securities transactions are executed and the commissions to be paid in connection with securities transactions. Ingalls & Snyder generally offers brokerage and custody services to its clients for transactions involving securities traded in the United States. If an advisory client selects Ingalls & Snyder to serve as both the investment advisor and brokerage firm for an account, the advisory client will be charged brokerage commissions or markups in addition to advisory fees and such advisory fees are not reduced to offset the commissions or markups. However, advisory clients may receive lower commissions or markups for transactions in such accounts. Additional information regarding the selection of broker-dealers to execute advisory client securities transactions is set forth below.

Advisory clients may also be charged additional fees (including management fees, sales charges, etc.) not paid to us in connection with a specific investment such as a mutual fund or money market fund. Ingalls & Snyder receives customary compensation from mutual fund companies and/or money market funds, including 12b-1 fees, for performing certain administrative and/or shareholder servicing related tasks associated with advisory clients' investment in such securities. In these circumstances, a conflict of interest is present since it gives Ingalls & Snyder an incentive to recommend products based on the compensation received rather than on the client's needs. Ingalls & Snyder provides disclosure of this conflict to advisory clients in its Investment Advisory Agreement. As a fiduciary, Ingalls & Snyder recognizes its duties to act in good faith and with fairness in all of its dealings with all advisory clients. As such, the Firm selects products that are in the best interests of advisory clients regardless of the incentive received. Advisory clients also have the option to purchase investment products that Ingalls & Snyder recommends through other brokers or agents that are not affiliated with us.

For providing advisory services to the Limited Partnerships, Ingalls & Snyder receives a management fee based on a percentage of assets under management that ranges up to 1.50% (per annum). Each such management fee is negotiated at the time the Firm establishes an advisory relationship with the limited partnership, and is disclosed to investors in the limited partnership through its offering materials. The management fees for the Limited Partnerships are paid quarterly in arrears based on the net assets of the Limited Partnerships as of the end of each quarter.

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

The Firm receives performance-based fees for the management of one private investment entity organized as a limited partnership. With respect to this private investment partnership, the general partner is entitled to a special incentive capital allocation, which is equal to 20% of such partnership's net profits (subject to a loss carry forward provision). Where applicable, the limited liability company distributes the incentive capital allocation which it receives as general partner of the private investment partnership to its members: Ingalls & Snyder and the investment adviser representative who provides advisory services to the particular private investment partnership.

An adviser charging performance-based fees to some accounts faces a variety of conflicts because the adviser can potentially receive greater fees from its accounts having a performance-based compensation structure than from those accounts it charges a fee unrelated to performance (for example, an asset-based fee). The performance fee may be an incentive for an advisor to make investments that are riskier than would be the case without a performance fee arrangement. Also, the adviser may have an incentive to direct the best investment ideas to, or to allocate or sequence trades in favor of, the account that pays a performance fee. Although Ingalls & Snyder has an incentive to favor advisory clients for which it receives a performance-based fee, in no instance will Ingalls & Snyder favor advisory clients paying performance-based fees over advisory clients not paying performance-based fees. As a fiduciary, Ingalls & Snyder recognizes its duties to act in good faith and with fairness in all of its dealings with all advisory clients.

### ***Item 7 – Types of Clients***

Ingalls & Snyder provides investment advice to individuals, financial institutions, pension and profit sharing plans, trusts and estates, charitable organizations, corporations, and private investment partnerships.

Generally, Ingalls & Snyder prefers newly established advisory accounts to be funded with at least \$100,000. However, the Firm may accept or continue to provide services to smaller accounts at its discretion.

The minimum initial investment threshold for membership in the Limited Partnerships ranges from \$500,000 to \$1,000,000. However, this threshold may be waived or changed by the general partners of the Limited Partnerships.

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

Ingalls & Snyder generally offers investment advice with respect to the following types of investments:

- Equities (including exchange-listed securities, over-the-counter securities and securities of foreign issuers);
- Warrants;
- Corporate debt securities;
- Corporate preferred securities;
- Commercial paper;

- Bank CDs;
- Municipal securities;
- Mutual funds;
- Exchange Traded Funds;
- United States government and agency securities;
- Foreign government securities;
- Unlisted securities including private placements;
- Option contracts on securities; and
- Other similar securities and investment products.

Ingalls & Snyder also provides advice to certain clients regarding investments in private investment partnerships, which may invest in securities and other assets of the types stated above.

Ingalls & Snyder, in its capacity as investment adviser exercising discretionary authority, also invests in private placements of securities on behalf of Ingalls & Snyder Value Partners, L.P., and may invest in such securities on behalf of Underhill Partners, L.P. In addition, Ingalls & Snyder may purchase securities offered pursuant to private placements on behalf of appropriately qualified advisory clients.

Ingalls & Snyder's security analysis methods include charting fundamental, technical and cyclical analysis. Ingalls & Snyder's investment advisor representatives assess a company's or a security's attractiveness based on factors such as the company's management, products, services, markets, sales, assets, and financial structure. Such fundamental research includes the review and analysis of issuer's financial statements and other documents, meetings and communications with company officials and attendance at analysts' meetings.

Sources of information used by Ingalls & Snyder include annual reports, prospectuses, and press releases issued by companies; filings with the Securities and Exchange Commission such as annual, quarterly and current reports; presentations at analysts' meetings; direct communications with company personnel; financial publications, including newspapers and magazines; research materials prepared by others; and reports by corporate rating services.

Investment strategies utilized by Ingalls & Snyder include long-term purchases (securities held at least a year); short-term purchases (securities sold within a year), trading (securities sold within 30 days); short sales; margin transactions and option writing, including covered options, uncovered options or spreading strategies.

As with any investment strategy, there is potential for profit as well as the possibility of loss. Asset allocation does not ensure a profit or guarantee against a loss. Ingalls & Snyder does not guarantee any minimum level of investment performance or the success of any portfolio or investment strategy. All investments involve risk and investment recommendations will not always be profitable. Past performance is no guarantee of future results. The investment return and principal value of an investment will fluctuate so that an investor's proceeds after sale of an investment may be worth more or less than the investment's original cost. Some of the specific risks investors should consider prior to investing include, but are not limited to:

- **Market risks:** The prices of, and the income generated by, common stocks, bonds, and other securities 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.
- **Management risk:** There is no guarantee that the Firm's judgments about the intrinsic value and potential appreciation of a particular asset class or individual security are correct. Even if our assessment of the intrinsic value of a security is correct, it may take a long period of time for the security to realize that intrinsic value and there is no guarantee that the stock market will recognize our estimate of the value of a security.
- **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 investors 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.
- **Risks of investing outside the U.S.:** 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 changes in the value of foreign currencies relative to the U.S. dollar, or the impact of currency controls; different accounting, auditing, financial reporting, disclosure, and regulatory and legal standards and practices; expropriation; 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 to the extent such entities engage in foreign activity. Investments held at Ingalls & Snyder 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.
- **Liquidity risk:** Some companies are not well known, have few shares outstanding, or can be significantly affected by political and economic events. Securities issued by these companies may be difficult to buy or sell and the value of strategies that buy these securities may rise and fall substantially. Smaller companies may not be listed on a stock market or traded through an organized market. They may be hard to value because



they are developing new products or services for which there is not yet an established market or revenue stream.

- **Small and Mid-Cap issuer risk:** Smaller capitalization securities involve greater issuer risk than larger capitalization securities, and the markets for such securities may be more volatile and less liquid. Specifically, small capitalization companies often have limited product lines, markets or financial resources and may be dependent on one person or a few key persons for management. The securities of such companies may be subject to more volatile market movements than securities of larger, more established companies, both because the securities typically are traded in lower volume and because the issuers typically are more subject to changes in earnings and prospects.
- **Options:** Purchasing put and call options, as well as writing such options, are highly specialized activities and entail greater than ordinary investment risks, especially when such options are not used as a hedge or are uncovered. Because option premiums paid or received by an Investor are small in relation to the market value of the investments underlying the options, buying and selling put and call options can result in large amounts of leverage.

With respect to the Limited Partnerships, Investors should review the Limited Partnerships' offering and other governing documents to understand the risks and potential conflicts of interest. However, it is not intended to serve as an exhaustive list or a comprehensive description of all risks and conflicts that may arise in connection with the management and operation of the Limited Partnerships.

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

In July 2010, Ingalls & Snyder submitted a Letter of Acceptance Waiver and Consent to FINRA in which, without admitting or denying the findings, it consented to the following findings: (1) it failed to transmit all of its reportable order events to the Order Audit Trail System (“OATS”) on numerous business days; and (2) it failed to provide documentary evidence that it performed the supervisory reviews set forth in its written supervisory procedures concerning OATS. Without admitting or denying the findings, Ingalls & Snyder consented to the following sanctions: a censure and a fine of \$20,000.00 (composed of a \$15,000.00 fine for the OATS matter and a \$5000.00 fine for the supervision matter). The letter of acceptance waiver and consent was accepted by FINRA on July 28, 2010.

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

Ingalls & Snyder is registered as a broker-dealer with the Securities and Exchange Commission and is a member of the NYSE, the International Stock Exchange, and FINRA. As a registered broker-dealer, Ingalls & Snyder executes securities transactions for customers, including advisory clients who have designated the Firm as the broker-dealer through which securities transactions are to be executed. Advisory clients who have established brokerage accounts with the Firm are generally charged commissions with respect to securities transactions, which may be higher or lower than the commissions charged by other broker-dealers.

The granting of discretionary authority to Ingalls & Snyder and the designation of Ingalls & Snyder as the brokerage firm through which transactions are executed presents the possibility of a conflict of interest. A conflict of interest may arise if Ingalls & Snyder, in its capacity as an investment adviser, were to determine to sell a security for one advisory account and to purchase the same security for another advisory account and if Ingalls & Snyder, in its capacity as a broker-dealer, were to receive commissions from each account in connection with the execution of the transaction.

In addition, the Firm acts as investment adviser to certain private investment partnerships, including Ingalls & Snyder Value Partners, L.P. and Underhill Partners, L.P., and interests in such entities have been offered to advisory clients. Also, Ingalls & Snyder is a member of Underhill Capital L.L.C., the general partner of Underhill Partners, L.P. The private investment partnerships may invest in a variety of securities. In addition, Thomas O. Boucher, Jr., Managing Director, Robert L. Gipson, Senior Director, and Adam Janovic, Senior Director are the general partners of Ingalls & Snyder Value Partners, L.P., a private investment partnership which invests in a variety of securities. Interests in the foregoing private investment partnerships have been offered to the Firm's advisory clients.

As referenced above, Ingalls & Snyder receives a performance-based fee in connection with its management of Underhill Partners, L.P. An adviser charging performance-based fees to some accounts faces a variety of conflicts because the adviser can potentially receive greater fees from its accounts having a performance-based compensation structure than from those accounts it charges a fee unrelated to performance (for example, an asset-based fee). As a result, the adviser may have an incentive to direct the best investment ideas to, or to allocate or sequence trades in favor of, the account that pays a performance fee. Although Ingalls & Snyder has an incentive to favor advisory clients for whom it receives a performance-based fee, in no instance will Ingalls & Snyder favor advisory clients paying performance-based fees over advisory clients not paying performance-based fees. As a fiduciary, Ingalls & Snyder recognizes its duties to act in good faith and with fairness in all of its dealings with all advisory clients.

Ingalls and Snyder also has an arrangement with a registered broker dealer for the referral of prospects who express interest in life insurance products. Under the agreement with the broker dealer, Ingalls is paid a share of the compensation earned by the broker dealer pursuant to the sale of life insurance products to prospects referred by Ingalls and Snyder. In order to manage this conflict, Ingalls and Snyder discloses the fee arrangement with the broker dealer to each prospect that it refers so that the prospect may independently assess the merits of the proposed transaction.

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

Ingalls & Snyder has adopted a Code of Ethics, which reflects the Firm's fiduciary duties to its clients. Specifically, the Code of Ethics addresses securities transactions by its personnel involved in investment advisory activities, provides that Ingalls & Snyder owes its clients duties of honesty, good faith, fair dealing, and further provides that employees must remain aware of and comply with regulatory requirements applicable to Ingalls & Snyder's advisory activities. Ingalls & Snyder's Code of Ethics will be provided to any client or prospective client upon request.

The Chief Compliance Officer is responsible for enforcing the Firm's Code of Ethics. In particular, the Chief Compliance Officer verifies that employees have submitted all required reports and have complied with the pre-trade clearance requirement regarding limited or private offerings and the prohibition on the purchase of initial public offerings. The review of reports also involves an assessment of personal securities transactions, including a comparison of employees' transactions with those of clients.

Ingalls & Snyder personnel who become aware of violations of the Code of Ethics are required to report such violations to the Chief Compliance Officer, who will conduct an appropriate inquiry and take appropriate action. All of the Firm's personnel engaged in advisory activities are required to review the Code of Ethics upon receipt and execute an acknowledgement that they have received and reviewed the Code Ethics.

On occasion, Ingalls & Snyder for its own account may purchase a security from or sell a security to an advisory client ("principal transaction"). Principal transactions present the potential for conflicts of interest. In order to address such potential conflicts, the Firm observes the following procedures: all principal transactions proposed by the Firm's advisory personnel are presented to the Firm's Chief Compliance Officer. In particular, the Chief Compliance Officer reviews the proposed written disclosures to clients regarding principal transactions and verifies compliance with applicable regulatory requirements. The Chief Compliance Officer also reviews the nature and terms of the proposed transactions and, in particular, the prices at which securities are to be sold to or purchased from advisory clients. The Chief Compliance Officer also reviews client consents prior to the execution of principal transactions.

Advisory clients may designate the broker-dealer through which securities transactions are executed. As a registered broker-dealer, Ingalls & Snyder may execute securities transactions for advisory clients; however, advisory clients are not required to utilize the Firm's brokerage services in connection with transactions in advisory accounts. Commissions on brokerage transactions are not fixed and the Firm charges not more than \$.02 per share for equity transactions, not more than \$2.50 per \$1,000 bond, not more than \$2.00 per option contract and, in some instances, a minimum ticket charge of \$5.00. The Firm's commission charges are negotiable and may vary among advisory clients. Other broker-dealers may charge lower commissions than Ingalls & Snyder.

On occasion, Ingalls & Snyder effects transactions between an investment advisory client and a brokerage client ("agency cross transaction"). As a result, the Firm may have a potentially conflicting division of loyalties and responsibilities with respect to such transactions. In order to address such potential conflicts, the Firm has formulated procedures regarding disclosures and client consents with respect to specific agency cross transactions and disclosures and client consents with respect to prospective transactions. With respect to specific agency cross transactions, the Chief Compliance Officer of the Firm reviews the proposed disclosure regarding an agency cross transaction and modifies such disclosure as appropriate. The Chief Compliance Officer also reviews the written consent of the client regarding an agency cross transaction.

With respect to authorizations regarding prospective agency cross transactions, the Chief Compliance Officer reviews the proposed disclosure and verifies that arrangements have been made for the written confirmation of agency cross transactions, the forwarding to clients of an

annual summary of all agency cross transactions and the disclosure in client statements that authorization regarding agency cross transactions may be terminated. The Chief Compliance Officer, prior to the execution of an agency cross transaction, verifies that the written authorization has been received from the advisory client. The Chief Compliance Officer further verifies that written confirmation of the agency cross transaction has been provided to clients, that clients have been provided with an annual summary of all agency cross transactions and that account statements disclose that the client may terminate the authorization regarding agency cross transactions at any time by written notice to Ingalls & Snyder.

As discussed above, Ingalls & Snyder is a member of a limited liability company that is the general partner of a private investment partnership and renders investment advisory services to such private investment partnership for which it may receive a percentage of the profits of such partnership. In addition, advisory personnel serve as the general partners of another private investment partnership. Other related persons of the Firm may also hold interests in such private investment partnerships. From time-to-time, Ingalls & Snyder's advisory personnel may recommend that advisory clients invest in such private investment partnerships.

Ingalls & Snyder believes that it is appropriate for investment advisory personnel to invest their personal funds in securities. Accordingly, the Firm, its members and employees may, from time to time, purchase or sell securities or other investment products for their own account. Prior to, simultaneously with or subsequent to such transactions, Ingalls & Snyder may purchase or sell such securities or investment products or related securities or investment products for advisory accounts. Such transactions could create potential conflicts of interest as the decision to buy or sell a security for the account of an advisory client can affect the value of that security or a related security held by the Firm, a member or an employee, and the decision to buy or sell a security by the Firm, a member or an employee can affect the value of a security or a related security held by an advisory client. However, any such transaction for the account of the Firm, a member or an employee will be effected only if the transaction is consistent with the Firm's fiduciary duties to its clients and its applicable internal procedures then in effect. With respect to employees' securities transactions, the Code of Ethics provides that Ingalls & Snyder's personnel who have access to nonpublic information regarding clients' purchases or sales of securities, who are involved in making securities recommendations or who have access to such recommendations that are nonpublic are required to submit reports regarding their personal securities transactions. Such persons must submit a report reflecting all securities holdings upon becoming subject to the reporting requirements and thereafter on an annual basis. Such persons must also submit quarterly reports regarding purchases and sales of securities during the prior three-month period. In addition, persons subject to the reporting requirements are prohibited from acquiring any securities in an initial public offering and must obtain express, prior approval of any acquisition of securities in a limited or private offering.

While there are currently no investment adviser representatives that serve as directors of publicly-held companies, the Firm has adopted policies and procedures that address the service of certain investment adviser representatives as members of the boards of directors of publicly held companies. The policies and procedures, among other things, prescribe the times and circumstances under which such investment adviser representatives and other Ingalls & Snyder personnel may purchase or sell securities issued by such companies for their own account or the

accounts of advisory clients and provide for the review of transactions in the securities of such companies.

### ***Item 12 – Brokerage Practices***

Ingalls & Snyder’s advisory clients may and generally have designated the broker-dealer through which securities transactions are effected. The commissions charged by broker-dealers to execute transactions are not fixed and, in fact, may vary considerably. Advisory clients that designate broker-dealers to execute securities transactions negotiate and may agree to commissions being charged on transactions effected for their advisory account. As a registered broker-dealer, Ingalls & Snyder may negotiate brokerage commissions similarly. Many of the Firm’s advisory clients have designated Ingalls & Snyder as the broker-dealer through which securities transactions are to be executed. The Firm charges not more than \$.02 per share for equity transactions, not more than \$2.50 per \$1,000 bond, not more than \$2.00 per option contract and, in some instances, a minimum ticket charge of \$5.00. Ingalls & Snyder’s commission rates are negotiable and the commission rates paid by its advisory clients vary. Other broker-dealers may charge lower or higher commission rates than Ingalls & Snyder. In executing orders for investment advisory/brokerage clients in the over-the-counter market, Ingalls & Snyder acts on an agency basis whereby the account pays a commission to the Firm for executing the transaction in the open market and pays the purchase price of the security to the seller. Ingalls & Snyder does not receive a “mark-up” on the purchase price in circumstances where it charges a commission.

Ingalls & Snyder receives research or other products or services other than execution from a broker-dealer in connection with client securities transactions. This is known as a “soft dollar” relationship. Ingalls & Snyder will limit the use of “soft dollars” to obtain research and brokerage services to services that constitute research and brokerage within the meaning of Section 28(e) of the Securities Exchange Act of 1934 (“Section 28(e)”). Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants’ advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from broker-dealers on order execution; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an adviser and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations.

In some instances, Ingalls & Snyder may receive a product or service that may be used only partially for functions within Section 28(e). In such instances, Ingalls & Snyder will make a good faith effort to determine the relative proportion of the product or service used to assist Ingalls & Snyder in carrying out its investment decision-making responsibilities and the relative proportion used for administrative or other purposes outside Section 28(e). The proportion of the

product or service attributable to assisting Ingalls & Snyder in carrying out its investment decision-making responsibilities will be paid through brokerage commissions generated by client transactions and the proportion attributable to administrative or other purposes outside Section 28(e) will be paid for by Ingalls & Snyder from its own resources.

When soft dollar arrangements exist, Ingalls & Snyder's soft dollar committee meets regularly to review and evaluate the best execution practices of Ingalls & Snyder in order to determine in good faith that, with respect to any research or other products or services received from a broker-dealer, the commissions are reasonable in relation to the value of the brokerage, research or other products or services provided by the broker-dealer. This determination will be viewed in terms of either the specific transaction or Ingalls & Snyder's overall responsibilities to the accounts or portfolios over which Ingalls & Snyder exercises investment authority.

When Ingalls & Snyder uses client brokerage commissions to obtain research or other products or services, Ingalls & Snyder receives research, products or services that it would otherwise have to produce or obtain from other sources.

The receipt of soft dollar benefits may provide Ingalls & Snyder with an incentive to select or recommend a broker-dealer based on Ingalls & Snyder's interest in receiving the research or other products or services and may result in the selection of a broker-dealer on the basis of considerations other than Ingalls & Snyder's clients' interest in receiving most favorable execution. Such practice may result in higher transaction costs than would otherwise be obtainable.

In the event that an advisory client does not designate Ingalls & Snyder to execute securities transactions and does not grant Ingalls & Snyder authority to determine the broker-dealer to execute securities transactions but rather directs Ingalls & Snyder to direct brokerage to a particular broker-dealer, Ingalls & Snyder would not determine the commission charges such advisory client would incur, and would not be able to obtain best price and execution with respect to such advisory clients securities transactions. This may cost an advisory client directing brokerage more money. For example, the advisory client may pay higher brokerage commissions because Ingalls & Snyder may not be able to aggregate orders to reduce transaction costs, or the advisory client may receive less favorable prices.

The granting of discretionary authority to Ingalls & Snyder and the designation of Ingalls & Snyder as the brokerage firm through which transactions are executed presents the possibility of a conflict of interest. A conflict of interest may arise if Ingalls & Snyder, in its capacity as an investment adviser, were to determine to sell a security for one advisory account and to purchase the same security for another advisory account and if Ingalls & Snyder, in its capacity as a broker-dealer, were to receive commissions from each account in connection with the execution of the transaction. Notwithstanding the potential for a conflict of interest, there are instances in which it may be appropriate to sell a security for one advisory account and purchase the same security for another advisory account and instances in which the sale of a security by one advisory account to another advisory account ("a cross trade") may result in benefits to each account. For example, one account may follow a mid-cap investment strategy and another account may observe a large-cap investment strategy; in the event an advisory account acquired a security categorized as a mid-cap stock and the security is subsequently categorized as a large cap stock, it may be appropriate for Ingalls & Snyder to sell the newly-designated large cap security for the advisory account that

follows a mid-cap strategy and to purchase the security for an advisory account that follows a large-cap strategy. In such or similar instances, Ingalls & Snyder observes the following procedures in order to address potential conflicts of interests:

(i) the investment adviser representative confirms that the sale of the subject security is consistent with the investment objectives of the advisory account that will sell the security, or, if the subject security is being sold in order to raise cash, that the advisory account does not hold other securities that may be more appropriately sold in light of the advisory account's investment objectives, market conditions and other relevant considerations;

(ii) the investment adviser representative confirms that the purchase of the subject security is consistent with the investment objectives of the advisory account that will acquire the security;

(iii) the investment adviser determines the current market for the subject security and the price at which the cross trade will be effected; and

(iv) the investment adviser representative has taken all necessary steps to ensure that neither advisory account is charged a brokerage commission.

A report of cross trades is reviewed by the Firm's Chief Compliance Officer on a daily basis covering cross trades conducted during the previous business day. Upon review, the Chief Compliance Officer will request additional information from the related investment adviser representative to obtain the basis of the cross, and confirm that the cross was consistent with the investment objectives of both accounts involved in the cross trades. Any cross trade deemed to be inconsistent with the investment objectives of both accounts involved will be cancelled.

Ingalls & Snyder advisory personnel who determine to purchase or sell a security for more than one advisory account generally aggregate such orders and direct them to Ingalls & Snyder's trading desk or to another broker-dealer at the same time to the extent practicable in light of market liquidity conditions. Such aggregation may enable Ingalls & Snyder to obtain a more favorable price or a better commission rate based upon the volume of a particular transaction. However, in cases where the client has negotiated the commission rate directly with the broker, Ingalls & Snyder will not be able to obtain more favorable commission rates based on an aggregated trade. In such cases, the client will be precluded from receiving the benefit of any possible commission discounts that might otherwise be available as a result of the aggregated trade. In cases where trading or investment restrictions are placed on a client's account, Ingalls & Snyder may be precluded from aggregating that client's transaction with others. In such a case, the client may pay a higher commission rate and/or receive less favorable prices than clients who are able to participate in an aggregated order. In the event that order(s) are not filled at one price, the prices at which such order(s) are executed are averaged and each account receives the average price. In the event that the full number of shares indicated on order(s) are not acquired or disposed of, the shares acquired or disposed of are allocated on an equitable basis.

### ***Item 13 – Review of Accounts***

Ingalls & Snyder's advisory personnel review accounts regularly and at least quarterly. Generally, investment adviser representatives review investment objectives, guidelines and restrictions; portfolio structure, including specific securities held; adjustments to investment objectives, guidelines and restrictions; adjustments to portfolio securities based upon company prospects, prices of securities, general market considerations; and changes in clients' circumstances. In addition, the Firm provides written account valuations no less frequently than quarterly. When using a custodian other than Ingalls & Snyder, it is recommended that clients compare their custodian statements to the Ingalls & Snyder account statements to ensure there are no discrepancies.

In addition, the Chief Compliance Officer reviews all advisory client accounts at least annually. The Chief Compliance Officer, among other things, verifies that client advisory files contain suitability information, updated as required by the Firm's policies and procedures; reviews account statements and verifies that transactions reflected in the account statements are suitable in light of relevant information regarding the client; and verifies that transactions for the account were executed in accordance with the client's instructions regarding directed brokerage, if applicable.

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

Ingalls & Snyder may invest or recommend the investment of cash balances held in an advisory client's account in a money market fund as to which the Firm has an agreement providing for payment to Ingalls & Snyder of customary fees based upon the amount of funds invested.

Ingalls & Snyder may from time to time enter into arrangements providing for compensation by the Firm to third parties in exchange for referrals of prospective advisory clients who ultimately establish accounts with Ingalls and Snyder. Ingalls and Snyder and none of the referring parties are affiliated, and the referring parties are not authorized to provide investment advice on behalf of Ingalls and Snyder. The referral fees paid by Ingalls and Snyder to the referring parties are not passed on to referred clients, but the presence of these arrangements may effect Ingalls and Snyder's willingness to negotiate below its standard investment advisory fees and therefore, may affect the overall fees paid by referred clients.

In order to advise prospects introduced through the Firm's third-party referrers of the fee arrangement, the referrers must provide a disclosure of the fee arrangement between the referring party and Ingalls and Snyder, along with a copy of Ingalls and Snyder's brochure. In addition, an acknowledgement must be obtained by the referring party from the referred prospect that they have been made aware of the compensation arrangement between Ingalls and the referring party.

Ingalls and Snyder currently has the following third-party referral arrangements as of the date of this document:

- An agreement with an actuarial firm to pay 35% of the investment advisory fees paid by any advisory client resulting from an introduction by the actuarial firm.
- An agreement with an individual to pay 35% of the advisory fees paid by any advisory client resulting from an introduction by the individual.



- An agreement with an individual to pay 25% of the fees paid by any advisory client resulting from an introduction by the individual referrer.
- An agreement with a broker dealer to pay 20% of the advisory fees paid during the first five years, 15% of the advisory fees paid during the sixth year, 10% of the advisory fees paid during the seventh year, and 5% of the advisory fees paid during the eighth through the tenth years by any advisory client resulting from an introduction by a registered representative of the referring broker dealer. Payment of fees cease after the ten year anniversary of a referred client's account inception.

### ***Item 15 – Custody***

Generally, advisory client funds and securities are maintained in accounts with Ingalls & Snyder in its capacity as a registered broker-dealer. Investment adviser representatives are responsible for establishing such brokerage accounts for advisory clients. Ingalls & Snyder distributes account statements to all clients on a monthly basis if the Firm serves as custodian for such clients. On occasion, a prospective advisory client may request and Ingalls & Snyder may agree that such client's funds and securities will be held in an account at another registered broker-dealer or at a bank. Prior to establishing an account for an advisory client at another broker-dealer or at a bank, investment adviser representatives verify that such broker or dealer generates at least quarterly account statements and that such account statements reflect the amount of funds and each security in the account at the end of the period and transactions in the account during the relevant period. Ingalls & Snyder does not generally establish accounts at other qualified custodians as agent or trustee for advisory clients. It is recommended that clients carefully review their account statements.

Ingalls & Snyder also serves as a managing member of a limited liability company that serves as a general partner of a limited partnership. Such limited partnership is subject to an annual audit by an independent public accountant and audited financial statements are distributed to limited partners and other beneficial owners of limited partnership interests.

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

Generally, Ingalls & Snyder's advisory clients grant the Firm full discretionary authority to purchase or sell securities in accordance with the investment objectives and guidelines established by agreement between the Firm and the client at the time the account is established. The Firm's advisory clients generally grant the Firm full authority to determine the amount of securities to be purchased or sold. However, certain advisory clients may specify certain restrictions to the activities in an account (e.g., no positions in certain issuers).

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

Except for certain institutional accounts, Ingalls & Snyder generally does not exercise voting authority with respect to client securities. In instances where Ingalls & Snyder is the record owner of client securities and is not voting proxies for such client accounts, it has engaged ADP

to act as its agent for the transmittal of proxies, proxy materials, information statements and annual reports to security holders.

For the institutional accounts that have elected for Ingalls & Snyder to vote proxies on their behalf, Ingalls & Snyder has implemented policies and procedures that are reasonably designed to ensure that proxies are voted in the best interest of such clients. Ingalls & Snyder's authority to vote proxies is established through investment management agreements or comparable documents.

Ingalls & Snyder's procedures include guidelines that are intended to provide a benchmark for voting standards. Each vote is ultimately cast on a case-by-case basis, taking into consideration Ingalls & Snyder's contractual obligations to such clients and all other relevant facts and circumstances at the time of the vote, such that these guidelines may be overridden to the extent Ingalls & Snyder believes appropriate. When the client indicates that the client would like Ingalls & Snyder to vote proxies, Ingalls & Snyder will only vote proxies for the securities currently held in the client's account. Ingalls & Snyder will not be responsible for voting proxies for: (1) securities no longer held in the client's account after the proxy vote record date; or (2) securities held in the account that are not part of Ingalls & Snyder's investment mandate such as unsupervised assets.

### **General Voting Procedures**

Clients shall be responsible for notifying their custodians of the name and address of the person or entity with voting authority. The gathering and voting of proxies is coordinated by the proxy administrator and Ingalls & Snyder maintains internal procedures to govern the processing of proxies, including handling client requests and monitoring for potential material conflicts. Research analysts, corporate action specialists and portfolio managers, otherwise referred to as voting persons, are responsible for determining appropriate voting positions on each proxy.

Ingalls & Snyder may decline to vote proxies in extraordinary circumstances. Unless requested by the client, Ingalls & Snyder will not accept direction from third parties with regard to the voting of proxies, except in situations where a conflict of interests exists. Ingalls & Snyder will take the investment guidelines of an account into consideration in deciding how to vote on a particular issue. Ingalls & Snyder will vote proxies uniformly among clients unless directed in writing by our client.

Upon written notice, clients may retain the authority to vote all their own proxies. If you have authorized Ingalls & Snyder to vote proxies on your behalf and would like to know how your proxies were voted, or would like to receive detailed Proxy Policies and Procedures please contact the Proxy Administrator, Michael Kulla, at (212) 269-7800, or write to Ingalls & Snyder, Attention: The Proxy Administrator, 61 Broadway 31st Floor, New York, NY 10006.

### ***Item 18 – Financial Information***

Ingalls & Snyder is not subject to nor affected by any financial condition that is reasonably likely to impair its ability to meet contractual and fiduciary commitments to clients. Ingalls & Snyder has not been the subject of any bankruptcy petition.