

# Ingalls & Snyder llc

ESTABLISHED 1924

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**FORM ADV PART 2A - BROCHURE**  
**SEPTEMBER 1, 2012**

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).

Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

## ***Item 2 – Material Changes***

Ingalls & Snyder's most recent annual amendment of Form ADV Part 2 ("Brochure") is dated December 1, 2011. Please note Item 2 of this Brochure discusses only material changes that have occurred since the firm's most recent annual amendment.

Effective September 1, 2012, Ingalls & Snyder has amended Item 11 of this Brochure to provide disclosure relating to the firm's policy with respect to transactions effected between an investment advisory client and a brokerage client of the firm ("agency cross transactions"). The revised language addresses the conflicts of interest created by such transactions and the procedures adopted by the firm to ensure the required client disclosures are provided and client consents are obtained.

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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.

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

As of September 30, 2011, Ingalls & Snyder manages \$2,199,960,932 on a discretionary basis and \$5,509,418 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. 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***

With respect to certain “qualified clients” (as defined in Rule 203-5 under the Investment Advisers Act), the Firm, in addition to its advisory fee, receives a percentage of the clients’ net profits. The Firm receives performance-based fees for the management of two private investment entities organized as limited partnerships. With respect to one of the private investment partnerships, 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). With respect to the other private investment partnership, the general partner is entitled to 15% of such partnership’s net profits, subject to a hurdle rate of a 5% annual return. The general partner of each private investment partnership is a limited liability company and is an affiliate of the Firm. Where applicable, each 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 representatives who provide 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. and MacBay Partners, L.P. Ingalls & Snyder, after consulting advisory clients and without exercising discretion, 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 New York Stock Exchange, the NYSE Alternext, the International Stock Exchange, NYSE ARCA 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., Underhill Partners, L.P., and MacBay Partners, L.P., and interests in such entities have been offered to advisory clients. Also, Ingalls & Snyder is a member of the limited liability companies, which are general partners in the private investment partnerships. Ingalls & Snyder is a member of Underhill Capital L.L.C., the general partner of Underhill Partners, L.P., and a member of MacBay Capital L.L.C., the general partner of MacBay 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., and MacBay 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 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 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 limited liability companies that are the general partners of private investment partnerships and renders investment advisory services to such private investment partnerships for which it may receive a percentage of the profits of such partnerships. 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.

Certain of the Firm's investment adviser representatives may serve as directors of publicly-held companies and may be compensated for such service in the customary manner. The Firm has also 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.

If the client does not designate the broker and the commission rate to be paid, Ingalls & Snyder will select the broker-dealer to execute securities transactions for the advisory account. Brokers are selected based on research and executorial services provided. The Firm uses its experience as a broker-dealer to judge the overall reasonableness of commissions paid in light of research and executorial services provided. As a value manager, Ingalls & Snyder seeks research from brokers on undervalued securities. The Firm may pay a brokerage commission in excess of that which another broker might have charged for effecting the same transaction, in recognition of the value of brokerage or research services provided by the broker. When Ingalls & Snyder uses Client brokerage commissions to obtain research furnished by brokers selected by the Client, Ingalls & Snyder receives a benefit because it does not have to produce or pay for the research. Research services furnished by brokers through whom Ingalls & Snyder effects securities transactions may be used in servicing all of the Firm's accounts and not all such services may be used by Ingalls & Snyder in connection with the accounts which paid commissions to the broker providing such services.

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.

The proposed cross trade is then presented to the Firm’s Chief Compliance Officer by the appropriate investment adviser representative. In particular, the investment adviser representative shall advise the Chief Compliance Officer of the benefit(s) of the proposed transaction to the advisory account selling the security and the benefit(s) to the advisory account

purchasing the security (e.g., the cross trade will avoid adverse movements in the market price of the subject security). Cross trades are executed only upon the approval of the Firm's Chief Compliance Officer.

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 the trading desk at the same time to the extent practicable in light of market liquidity conditions. The order transmitted to the trading desk indicates the advisory accounts for which such order has been entered. Further, trading desk personnel who receive multiple orders for the purchase or sale of a security aggregate such orders. In the event that the trading desk is unable to fill the order(s) 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 trading desk is unable to acquire or dispose of the full number of shares indicated on order(s), 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 has agreed to pay an actuarial firm 35% of the investment advisory fees paid by any client referred to the Firm by the actuarial firm. Ingalls & Snyder has agreed to pay an individual part of the advisory fees paid by any client that the individual has referred to the Firm. The agreement provides that the individual will be paid the following for one advisory client: 50% of the fees paid by advisory clients during their first two years as clients of the Firm, 40% of the advisory fees paid during the next two years and 35% of the advisory fees paid

during the fifth year. He also receives 35% of the advisory fees for all other advisory clients he refers to the Firm. Ingalls & Snyder also has an agreement with two investment adviser representatives to pay them 50% of the fees attributable to investors referred to MacBay Partners, L.P., and has an agreement with another investment adviser representative to pay 50% of fees attributable to investors referred to Underhill Partners L.P. Ingalls & Snyder may from time to time enter into other arrangements providing for compensation by the Firm for client referrals.

### ***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 various limited liability companies that serve as general partners of a limited partnership or other pooled investment vehicle. Such limited partnerships or other pooled investment vehicles are subject to annual audits 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. For certain advisory accounts, discretionary authority is exercised only when the client is unavailable for consultation or after consultation with another party acting on the client's behalf. Similarly, the Firm's advisory clients generally grant the Firm full authority to determine the amount of securities to be purchased or sold; advisory clients, in certain limited instances, have limited position sizes.

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

Ingalls & Snyder does not exercise voting authority with respect to client securities. In instances where Ingalls & Snyder is the record owner of client securities, it has engaged ADP to act as its agent for the transmittal of proxies, proxy materials, information statements and annual reports to security holders.



***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.