

# DISCLOSURE BROCHURE

THE INVESTMENT ADVISORS ACT OF 1940 RULE 204-3  
FORM ADV PART 2A



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**Butensky & Cohen Financial Security, Inc.**

REGISTERED INVESTMENT ADVISOR

This Disclosure Brochure provides information about the qualifications and business practices of Butensky & Cohen Financial Security, Inc, which should be considered before becoming a client. You are welcome to contact us should you have any questions about the contents of this brochure - our contact information is listed to the right. Additional information about Butensky & Cohen Financial Security, Inc is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The information contained in this Disclosure Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any State Securities Administrator.

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BROCHURE  
DATED  
1  
JANUARY  
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## MATERIAL CHANGES

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ITEM 2

There have been no material changes made to this document since the last revision date indicated on the cover of this Disclosure Brochure.



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## ADVISORY BUSINESS

### Who We Are

Butensky & Cohen Financial Security, Inc. (hereinafter referred to as “the Company”, “we”, “us” and “our”) is a fee-only registered investment advisor<sup>1</sup> incorporated in October of 1994 as a Florida corporation. We offer a wide range of financial management services designed to assist you, our client<sup>2</sup>, in achieving your financial goals and to protect what you have worked hard to create.

#### Owners

The Company is controlled by the following persons:

Name	Title	CRD#
Jan David Butensky	President & Principal	720628
Allan Abraham Cohen	Managing Director & Principal	720627

#### Assets Under Management

As of December 31, 2010, our assets under management totaled:

Client Discretionary Managed Accounts.....	\$137,376,468.00
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We do not offer non-discretionary investment management services.

### Mission and Objective

Our mission is to develop a personal relationship with you in order to gain trust and confidence through actions of uncompromising service and unbiased asset management and financial and estate planning.

*“Our objective is to give you a good night’s sleep.”*

### What We Do

We provide investment management and financial planning services, which stress fiscal responsibility and disciplined economic decision-making, ultimately designed to protect your monetary needs for today, tomorrow, and in the future.

<sup>1</sup> The term “registered investment advisor” is not intended to imply that Butensky & Cohen Financial Security, Inc has attained a certain level of skill or training. It is used strictly to reference the fact that we are “Registered” as an “Investment Advisor” with the United States Securities & Exchange Commission - and “Notice Filed” with such other State Regulatory Agencies that may have limited regulatory jurisdiction over our business practices.

<sup>2</sup> A client could be an individual, a corporation and/or small business, a trust, an estate, a charitable organization and/or another type of entity structure to give investment advice.



Our central duty is to assist you in achieving success and fulfillment in both your personal and financial life and to guide you in making intelligent, informed decisions on the complex financial options available in today's economic environment. We provide this service through:

- ❖ Advice on how to best navigate the current economic and investment environment.
- ❖ The construction of a financial plan, when necessary, to evaluate the investing and financial options available to you based upon your defined goals.
- ❖ The design of an asset allocation guideline unique to your predefined goals and objectives.
- ❖ Implementation of the investment and risk management strategies necessary to attain your financial goals.
- ❖ Monitoring the investment performance of such management strategies.

Earning your trust and confidence is a great compliment. We understand that when this is accomplished, you are at peace knowing your financial affairs are being managed with your best interest always in mind.

### How We Get to Know You

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We get to know you through one-on-one consultations to discuss issues such as your current income and expenses, career, personal goals, investment return expectations and prior investment experience. In addition, you complete a profile questionnaire<sup>3</sup> that provides a picture of your financial needs.

With the complexity of today's marketplace, it is critical for us to understand who you are and what you want to accomplish financially. We must have a clear picture of your unique financial composition and risk tolerance so that we can develop a successful investment plan and tailored asset allocation guideline. If you have difficulty expressing your monetary needs or do not truly have a grasp of your overall personal finances, a financial plan may be suggested before proceeding with any investment services.

Our meetings with you to discuss your finances, and, if necessary, develop a financial plan, will help to eliminate much of the guesswork in achieving the security and independence you desire and simplify your financial alternatives. In return, we will have:

- ❖ Defined and narrowed objectives and investment options;
- ❖ Identified areas of greatest distress;
- ❖ Developed a strategy for addressing concerns about the future;
- ❖ Cultivated peace of mind; and,
- ❖ Created a unique picture of your overall economic personality.

Once your financial parameters have been identified, we will prepare an Investment Policy Statement that outlines what asset mix is most suitable for your unique investment expectations and risk tolerance. This Investment Policy Statement will guide us in the management of your account(s), and as a standard against which to measure future results and to make modifications when and where necessary.

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<sup>3</sup> The profile questionnaire we use is an important tool in gathering information about your investment methodology, risk tolerance, income/tax bracket, liquidity, time horizons, etc. If you elect not to answer the questionnaire or choose to respond with limited input, it is possible that we could operate in a handicapped capacity contrary to your investment needs. Therefore, if you desire the most effective and accurate recommendations regarding your managed account(s), you should make every effort to provide us with your detailed personal needs and objectives, along with detailed financial and tax information.



## FEES & COMPENSATION

### Portfolio Management

Portfolio management is provided on an asset-based fee arrangement. Our management fee is calculated based on the aggregate market value of your account on the last business day of the previous calendar quarter multiplied by one-fourth of the corresponding annual percentage rate (i.e., 1.50% ÷ 4 = 0.375%).

We retain discretion to negotiate the management fee under 1.50% on a client-to-client basis. Generally, fee breaks occur as assets in your portfolio increase past the following tiers:

#### MANAGED ACCOUNT FEE SCHEDULE

ACCOUNT BALANCE	ANNUAL FEE RATES FOR...	
	Equity and Balanced Accounts	Fixed Income Accounts (Only)
Up to \$500,000 .....	1.50%	1.00%
\$500,001 to \$1,000,000 .....	1.25%	0.75%
\$1,000,001 to \$5,000,000 .....	1.00%	0.50%
\$5,000,001 and up .....	0.75%	0.25%

We generally require a minimum initial investment of \$100,000.00 to open a managed account; however, we retain the right to waive this minimum if we feel circumstances are warranted.

The portfolio management fee will be fully disclosed to you in an Investment Advisory Agreement prior to conducting any investment management services.

#### Protocols for Investment Services

The following protocols establish how we handle our portfolio management accounts and what you should expect when it comes to: (i) managing your account; (ii) deposits and withdrawals in/from your account(s); (iii) your bill for investment services; (iv) other fees charged to your account(s); and, (iv) termination.

##### Discretion

We will establish discretionary trading authority on all management accounts to execute securities transactions at anytime without your prior consent or advice.

##### Billing

Your account will be billed quarterly in advance based on the aggregate fair market portfolio value of the assets in your account on the last day of the previous quarter. For the first billing quarter, if the management account was not opened at the beginning/end of the quarter, the fee will be based upon a pro-rata calculation of the fair market value of your assets to be managed for the period.



Advisory fees will be taken first from free credit balances or from any money market funds or balances. If such assets are insufficient to satisfy payment of such fees, a portion of the account assets will be liquidated to cover the fees. Such liquidation may affect the relative balances of the account.

#### Deposits and Withdrawals

Assets deposited by you into your management account between billing cycles will not result in additional management fees being billed to you unless such deposits exceed \$25,000. Such deposits of this amount or greater, in most cases, will require modifications and adjustments to your investment allocation. Therefore, a pro-rata fee based upon the number of days remaining in the current quarterly period may be assessed to you for deposits exceeding the above amount.

For assets you may withdraw, we do not make partial refunds of your management fees. Just as with deposits, withdrawals may require modifications and adjustments to be made in the account to correct the allocation of your assets.

#### Fee Exclusions

The above fees for all our management services are exclusive of any charges imposed by the custodial firm, such as: (i) any Exchange/SEC fees; (ii) service or account charges, including debit balances or postage/handling fees; and/or, (iii) transaction fees earned by the custodial firm for securities transactions.

In addition, all fees paid to us for management services are separate from any fees and expenses charged to shareholders of mutual fund shares, or exchange traded funds, if held in your managed account, by the investment company or by the investment advisor managing the mutual fund portfolios. These expenses generally include management fees and various fund expense, such as: 12b-1 fees, redemption fees, account fees, purchase fees, contingent deferred sales charges, and other sales load charges. A complete explanation of these expenses charged by the mutual funds is contained in each mutual fund's prospectus. You are encouraged to carefully read the fund prospectus.

#### Termination of Investment Services

To terminate investment advisory services, either party (you or us) by written notification to the other party, may terminate the Investment Advisory Agreement at any time, provided such written notification is received at least 30 days prior to the date of termination. Such notification should include the date the termination will go into effect along with any final instructions on the account (i.e., liquidate the account, finalize all transactions and/or cease all investment activity).

In the event termination does not fall on the last/first day of a calendar quarter, you shall be entitled to a pro-rated refund of the prepaid quarterly management fee based upon the number of days remaining in the quarter after the termination notice goes into effect. Once the termination of investment advisory services has been implemented, neither party has any obligation to the other - we no longer earn management fees or give investment advice and you become responsible for making your own investment decisions.



## Financial Planning

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Financial planning is one of the most important services that successful people use to create an extraordinary personal life and business career. However it requires a lifetime commitment, not only from us, the Financial Planner, but from you as well. The financial planning process helps to identify and/or clarify purpose, values, needs, and priorities and align your financial decisions with your goals in all areas of your life.

### What is a Financial Plan?

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Financial planning is an evaluation of the investment and financial options available to you based upon your defined lifestyle choices. Planning includes: (i) attempting to make optimal decisions; (ii) projecting the consequences of these decisions for you in the form of a financial plan - a working blueprint; and, (iii) implementing the protocol to achieve the objectives of the plan. Once complete, the plan is then used to compare future performance against the working blueprint.

### Financial Planning Composition

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A financial plan can be comprehensive - a mutually defined review of your personal financial needs; or, targeted - a review, analysis and evaluation of a core area of financial need. In general, our financial planning encompasses one or more of the following areas of financial need as presented by you:

- ❖ Identify and clarify personal and family core values, mission, vision, and goals.
- ❖ Preparation of the financial plan/roadmap, which encompasses you:
  - Current financial situation.
  - Liquidity and asset preservation needs.
  - Wealth accumulation and growth.
  - Wealth distribution and transfer.More specifically the financial plan/roadmap may include, but is not limited to the following modules:
  - Financial Statements - Cash Flow and Balance Sheet.
  - Savings and Emergency Reserves.
  - Asset Allocation and Investment Portfolio Analysis.
  - Potential Income Tax consequences in collaboration with your tax advisor.
  - Risk Management and Insurance Analysis.
  - Retirement and Income Analysis.
  - Long-Term Healthcare.
  - Estate and Family Legacy Planning.
  - Business Succession Planning.
- ❖ Outline of recommendations, strategies, solutions and resources.
- ❖ Prioritizing and implementing the written action plan.
- ❖ Investment consultations that allow us to create and implement a customized investment strategy tailored to your long-term investment goals.
  - Prepare a professional investment proposal that will include a written Investment Policy Statement.
  - Access to our open-architecture platform with a variety of investment management solutions.
- ❖ Informative periodicals, market commentaries and research via e-mail and website.
- ❖ Facilitate meetings with you and/or advisors or specialists within our professional network.
- ❖ Coordinate and facilitate meetings with family members, business associates, partners or other key individuals to assist with implementing your action plan.



## Financial Planning Development

We gather the necessary information to complete our analysis through personal interviews, review of various documents supplied by you, and completion of one or more profile questionnaires. Information gathered may include statements regarding your current financial status, a list of assets, insurance, wills and/or trust documents, income and expenses, Social Security eligibility, and other information<sup>4</sup> based on your financial status and future goals.

## Financial Planning Fees & Termination

How we charge to develop a financial plan depends on the size, complexity, and nature of your personal and financial situation and the amount of time it will take to analyze and summarize the plan and perform the services you desire.

### Comprehensive Financial Planning

Comprehensive financial planning is a coordinated effort between you and us, the financial planner, to identify purpose, personal, and family core values, financial needs and life goals then integrate these ideals into various strategies - budgeting, tax planning, insurance, retirement and estate planning, investment management, and more depending on your desired needs.

The cost to prepare a comprehensive financial plan will not exceed \$2,500.00, for a 12 consecutive month period to complete the planning process. The fee will be fully disclosed up-front in a Financial Planning Agreement ("Agreement"), which will include the cost<sup>5</sup> to review your financial information and prepare the financial plan. We require one-half the fee be paid at the time the Agreement is signed, with the remaining balance due upon completion of the financial plan<sup>6</sup>.

### Targeted Planning Fee

Targeted financial planning focuses on review, analysis and evaluation of a core area of financial need as may be requested by you. The targeted planning fee will be billed at a rate not to exceed \$250.00 per hour and any clerical fees will not exceed \$50.00 per hour. All fees will be completely itemized in a billing statement to you, or as otherwise predetermined in a proposal, engagement letter and/or by retainer.

### Termination

You can terminate the Agreement at any time prior to the presentation of the any financial planning documents. We will be compensated through the date of termination for time spent in design of such financial documents at the hourly rate agreed upon in the Agreement. If you have prepaid any fees, such fees will be returned on a pro-rata basis. After the financial plan has been completed and presented to you, termination of the Agreement is no longer an option.

<sup>4</sup> All information provided by and to you will be kept entirely confidential. Such information will be disclosed to third parties only with mutual written consent or as may be permitted by law.

<sup>5</sup> Rarely will a fee exceed those costs outlined in the Agreement. However, there can be instances where we did not contract with you to perform a particular task and therefore merit notifying you of the additional cost prior to beginning such services.

<sup>6</sup> The recommendations made in a financial plan are generally completed within 90 to 180 days from you signing the Agreement. However, implementing the plan using outside professionals (i.e., attorneys, CPAs, etc..) may require additional time that is out of our control. Therefore when we refer to the completion of the financial plan, we are referring to us (you and Butensky & Cohen Financial Security, Inc) finalizing your financial benchmarks/objectives before approaching any outside professional.



Targeted financial planning can be terminated at any time. We will bill you for any services rendered from the date of the last bill up to the date of termination at the agreed upon hourly rate.

## PERFORMANCE-BASED FEES & SIDE-BY-SIDE MANAGEMENT

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We do not charge fees based on a share of capital gains or the capital appreciation of the assets held in your accounts.

## TYPES OF CLIENTS

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ITEM 7

The types of clients to whom we offer advisory services to are described above under “Who We Are” in the Advisory Business section. Our minimum account size for portfolio management is disclosed above under “Portfolio Management” in the Fees & Compensation section of this Brochure.

## METHODS OF ANALYSIS, INVESTMENT STRATEGIES & RISK OF LOSS

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ITEM 8

Our advisory business services are designed to build long-term wealth while maintaining risk tolerance levels acceptable to you. We combine your financial needs and investment objectives, time horizon, and risk tolerance, as outlined in your Investment Policy Statement, to yield an effective investment strategy. Your portfolio is then tailored to these unique investment parameters using primarily equities (stocks) and debt instruments (bonds), along with a mix of Exchange Traded Funds (“ETFs”) to design your unique investment strategy.

In addition, depending on your risk tolerance, we may also recommend using other investment vehicles to achieve your desired investment objective. However, these investment vehicles bring on a whole different risk dynamic. If we recommend investment in another vehicle, we will discuss with you the limitations of such security and the potential risk factors to your portfolio.

### Methods of Analysis

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In analyzing stocks, bonds, mutual funds, and ETFs we will use both a fundamental and technical approach to gathering information and to guide us in our allocation decisions.

#### Fundamental Analysis

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Fundamental analysis considers: economic conditions, earnings, cash flow, book value projections, industry outlook, politics (as it relates to investments), historical data, price-earnings ratios, dividends, general level of interest rates, company management, debt ratios and tax benefits.



## Technical Analysis

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Technical analysis utilizes current and historical pricing information to help us identify trends in the broader domestic and foreign equity and fixed income markets, and in the underlying assets themselves. This may involve the use of various technical indicators, such as moving averages and trend-lines, among others.

Fundamental analysis provides us with a broad long-term view of a security that begins with determining a company's value and the strength of its financials while technical analysis is short-term focusing on the statistics generated by market activity. Technical analysis looks to detect trends and momentum of stocks for ideal entry/exit points.

## Investment Strategy

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We are not bound to a specific investment strategy or ideology for the management of your investment portfolio except for how such strategy might affect the risk tolerance levels we pre-defined for you during the getting-to-know-you process as well as in your Investment Policy Statement. However, our investment strategies generally incorporate these methodologies:

### Modern Portfolio Theory

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Modern Portfolio Theory ("MPT")<sup>7</sup> is the analysis of a portfolio of stocks as opposed to selecting stocks based on their unique investment opportunity. The objectives of MPT is to determine your preferred level of risk then construct a portfolio that maximizes your expected return for that given level of risk. Our investment methodology follows five (5) basic premises, each of which is derived from MPT.

1. You, as with all clients, are inherently risk-averse.
2. The markets are basically efficient.
3. The focus of attention is shifted away from individual securities analysis to consideration of portfolios as a whole, predicated on explicit risk-reward parameters.
4. For any level of risk that you are willing to accept, there is a rate of return that should be targeted.
5. Portfolio diversification is not so much a function of how many issues are involved, but more a function of the relationships and proportions of each asset to its correlating asset.

### Asset Allocation

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Asset Allocation is a broad term used to define the process of selecting a mix of asset classes and the efficient allocation of capital to those assets by matching rates of return to a specified and quantifiable tolerance for risk. From this there are more narrow and aggressive Asset Allocation derivatives that we may use.

We have developed five model portfolio structures that are used as Asset Allocation guideline models in designing your investment portfolio. Each model consists of a different "target" Asset Allocation comprised of stocks and bonds from twelve different predefined macro groups<sup>8</sup>. We will diversify your portfolio mix across these different macro groups and then

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<sup>7</sup> Modern Portfolio Theory was developed and introduced by Harry M. Markowitz in his paper "Portfolio Selection" published in 1952 by the *Journal of Finance*.

<sup>8</sup> These macro groups represent companies with like products and/or services (i.e.: steel, paper, utilities, railroads, etc...) that could fall under a group titled, for example, Basic Materials.



from each group will select stocks and bonds that can achieve the greatest return with the least risk exposure based upon your investment parameters.

The macro group mix is uniquely designed to achieve your desired level of risk vs. reward. However, the selected equities and fixed income vehicles in your portfolio are typically diversified into many stocks and bonds that are common to all client accounts. This is the only common denominator; from that point the composition mix and quantity of stocks and bonds in any given account is completely subjective.

Typical composition mix classifications:

ASSET ALLOCATION MODEL	PERCENTAGE OF...	
	Stocks	Bonds
Growth	60% or More	40% or Less
Balanced	40% - 60%	60% - 40%
Conservative	25% - 40%	75% - 60%
Preservation of Capital	25% or Less	75% or More
Fixed/Income	0%	100%

Such allocation guidelines are a representation of a typical account composition but should not be construed as absolute. Ultimately, the exact composition makeup and allocation of securities are determined by your investment parameters, which can compose a more detailed and/or complex structure.

### Dollar-Cost Averaging

We sometimes use dollar-cost averaging, the technique of buying a fixed dollar amount of securities at regularly scheduled intervals, regardless of the price per share. This will gradually, over time, decrease the average share price of the security. Dollar-cost averaging lessens the risk of investing a large amount in a single investment at the wrong time.

## DISCIPLINARY INFORMATION

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There are no legal or disciplinary events to report at this time that are material to your evaluation of our advisory business.

## OTHER FINANCIAL INDUSTRY ACTIVITIES & AFFILIATIONS

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### Independent Insurance Company or Agency Affiliation

Certain of our supervised persons are licensed as resident life, health, and annuity insurance agents by the State of Florida and may be licensed as non-resident agents in other states. These agents are licensed to sell insurance-related products and earn commissions from the sale of these products.

More information about our supervised persons and their affiliations can be found in their individual "Brochure Supplements".



## CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS & PERSONAL TRADING

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### Code of Ethics

As a fiduciary, the Company has an affirmative duty to render continuous, unbiased investment advice, and at all times act in your best interest. To maintain this ethical responsibility, we have adopted a Code of Ethics that establishes the fundamental principles of conduct and professionalism expected by all personnel in discharging their duties. This Code is a value-laden guide committing such persons to uphold the highest ethical standards, rooted in the most elementary maxim, which is: to deter inappropriate behavior and heighten awareness as to what is right, fair, just and good by promoting:

- ❖ Honest and ethical conduct.
- ❖ Full, fair and accurate disclosure.
- ❖ Compliance with applicable rules and regulations.
- ❖ Reporting of any violation of the Code.
- ❖ Accountability.

To help you understand our ethical culture and standards, how we control sensitive information and what steps have been taken to prevent personnel from abusing their inside position, a copy of our Code of Ethics is available for review upon request.

### Client Transactions

We have a fiduciary duty to ensure that your welfare is not subordinated to any interests of ours or any of our personnel. The following disclosures are internal guidelines we have adopted to assist us in protecting all of our clientele.

#### Participation or Interest

It is against our policies for any of our employees to invest with you or with a group of clients, or to advise you or a group of clients to invest in a private business interest or other non-marketable investment unless prior approval has been granted by Ms. Jacqueline A. Bos, our Chief Compliance Officer, and such investment is not in violation of any SEC and/or State rules and regulations.

#### Trading Allocation

Our objective in order execution is to act fairly, impartially, and to take all reasonable steps to obtain the best possible results (known as "best execution") for our clients. Therefore, we will not bunch (aggregate) orders for a block trade unless: (i) the bunching of orders is done for the purpose of achieving best execution; and, (ii) no client is systematically advantaged or disadvantaged by bunching the orders.

In consideration of these objectives, we will take into account the unique execution factors of the buy/sell order before bunching accounts for a block trade. A few of those factors are:

- ❖ **Security Trading Volume** - Bunching orders in a block trade can secure price parity and continuity for our clients during heavy trading activity.



- ❖ **Number of Clients** - The fewer the number of client accounts involved in the bunched order may not yield better pricing or order execution; it may be more advantageous to perform an individual market order for each client. In addition preparing individual market orders, for the small number accounts involved, may be quicker to complete than preparing a bunch order.
- ❖ **Financial Instruments** - The type of security involved as well as the complexity of order can affect our ability to achieve best execution.

### Personal Trading

Employees of ours are permitted to personally invest their own monies in securities, which may also be, from time to time, recommended to you. Most of the time, such investment purchases are independent of, and not connected in any way to, the investment decisions made on your behalf. However, there may be instances where investment purchases for you may also be made in an employee's account. In these situations we have implemented the following guidelines in order to ensure our fiduciary integrity:

1. No employee acting as an Investment Advisor Representative, or who has discretion over your account, shall buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment, unless the information is also available to the investing public on reasonable inquiry. No employee of ours shall prefer his or her own interest to that of yours or any other advisory client.
2. We maintain a list of all securities holdings for all our access employees. Ms. Bos reviews these holdings on a regular basis.
3. We require that all employees act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
4. Bunched orders (See "Trading Allocation" above) may include employee accounts. In such cases, priority and advantage will be given to satisfy your order first regardless of the situation.
5. Any individual not in observance of the above may be subject to termination.

Personal trading activities are monitored by Ms. Bos to ensure that such activities do not impact upon your security or create conflicts of interest.

### Class Action Policy

The Company, as a general policy, does not elect to participate in class action lawsuits on your behalf. Rather, such decisions shall remain with you or with an entity you designate. We may assist you in determining whether you should pursue a particular class action lawsuit by assisting with the development of an applicable cost-benefit analysis, for example. However, the final determination of whether to participate, and the completion and tracking of any such related documentation, shall generally rest with you.

### Insider Trading

The Company is in compliance with the Insider Trading and Securities Fraud Enforcement Act of 1988. We do not share any non-public information with anyone who does not need to know and have set-up internal controls to guard your personal information.



## BROKERAGE PRACTICES

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### Pershing, LLC

The Company maintains custodial relations with Pershing, LLC, an NYSE/FINRA licensed broker/dealer, through their institutional division Pershing Advisor Solutions. Pershing is an indirect, wholly-owned subsidiary of The Bank of New York Company Mellon Corporation.

We have selected Pershing as the custodian of choice based on their competitive transaction charges, our familiarity with their trading platforms, and on-line services and desktop software for account administration and operational support, including: electronic trading, block-trading authorization, and software to access client data, back-office support, recordkeeping, client reporting, and other relevant technology tools and support services to assist with the management of your account. These services offered from Pershing generally are available to independent investment advisors at no cost provided the investment advisor maintains a minimum amount of client assets under management in accounts at Pershing.

Services offered to us that have been discounted or waived are defined as “soft dollar” services. However, access to Pershing’s online services, dedicated trading desk and service group, real-time order matching systems and electronic interface, desktop software, and any research services provided or arranged by Pershing will be used to service all client accounts and will not be limited to only those particular accounts that may have generated commissions/transaction fees.

We are not a subsidiary of, or an affiliated entity of Pershing. We have sole responsibility for investment advice rendered, and our advisory services are provided separately and independently from Pershing.

#### Direction of Transactions and Commission Rates (Best Execution)

Since we do not recommend, suggest or make available a selection of custodians, other than Pershing for you to choose to custody your account(s), best execution may not always be achieved and you may pay higher transaction fees. Furthermore since we only use Pershing’s custodial services, we may not be able to provide you complete institutional services if you elect to use another broker-dealer. There will be no attempt by us to recommend Pershing solely on the lowest commission rates available. Your investment needs, general reputation, trading capabilities, investment inventory, the financial strength, and our personal experience working with Pershing has been considered, among other items, in suggesting Pershing to you.

## REVIEW OF ACCOUNTS

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Each account is reviewed on an ongoing basis to ensure that your needs and objectives are being met. All accounts are reviewed in the context of your stated investment objectives and guidelines. Cash needs will be adjusted as necessary. In addition, you will receive at least quarterly statements from Pershing, LLC where your account(s) are custodied. Each statement



will summarize the specific investments currently held, the value of your portfolio and account transactions.

It is recommended that we review your account with you at least annually. Material changes in your personal circumstances, the general economy, or tax law changes can trigger more frequent reviews. However, it is your responsibility to communicate these changes to us so that the appropriate adjustments can be made.

## CLIENT REFERRALS & OTHER COMPENSATION

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### Referral Compensation

We may directly compensate persons/firms for client referrals, provided that those persons are qualified and have entered a solicitation agreement with us. Under such arrangements, if you were referred to us by a solicitor, the solicitor will provide complete information on our relationship and the compensation that solicitor will receive should you choose to open an account. In no case will the fee that you pay be higher than it would be if you had dealt directly with us.

## CUSTODY

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### Trustee Accounts

Our Managing Director, Allan A. Cohen, serves as a trustee for four (4) client trust accounts. These are the only accounts where we act as trustee and there are no future plans to offer additional trustee services.

In this situation where an employee of ours acts as trustee for a client's trust and also an investment advisor representative to the account, our advisory agreement is accompanied by a trust instrument. When this occurs, by virtue of his/her position the trustee has authority to dispose of funds and securities in those accounts and legal ownership, by the trust powers, of the client assets. This creates a custody situation which requires us to undergo an annual surprise inspection (irregular from year to year) by an independent public accountant of the funds or securities in those accounts for which we have custody.

To comply with 1940 Act Custody Rule 206(4)-2 we will:

- ❖ Request that Pershing, LLC, where applicable, to send account statements to the trust beneficiaries and/or a designated independent representative.
- ❖ Undergo an annual surprise inspection by an independent Certified Public Accountant registered with the Public Company Accounting Oversight Board ("PCAOB").



## Account Statements from Pershing

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We do not take possession of or maintain custody of your funds or securities, but will simply monitor the holdings within your portfolio and trade your account based on stated investment objectives and guidelines. Possession and custody of your funds and/or securities shall be maintained with Pershing, LLC as indicated above under "Brokerage Practices."

Pershing, LLC will send, at least quarterly, brokerage statements summarizing the specific investments currently held in your account, the value of your portfolio, and account transactions. You are encouraged to verify the transaction activities disclosed to you in your brokerage statement with our invoice we send you each quarter showing how our management fee is calculated and the amount withdrawn from your account.

ITEM 16

## INVESTMENT DISCRETION

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### Securities and Amount Bought or Sold

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We execute an Investment Advisory Agreement with you, which set forth the authority to buy and sell securities in whatever amounts are determined to be appropriate for your account and whether such transactions are with, or without, your prior approval.

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## VOTING CLIENT SECURITIES

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Unless otherwise directed by you, we will exercise voting authority with respect to the securities held in your account. For information on how we will vote your proxies or for information on our Proxy Voting Guidelines, you may contact our office and arrangements will be made for you to receive copies of our Guidelines. For ERISA Clients, the authorization to grant us permission to vote proxies on your behalf must be consistent with plan documents governing your ERISA plan and the proxy voting assets of that plan.

ITEM 18

## FINANCIAL INFORMATION

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We are not required to include financial information in our Disclosure Brochure since we will not take custody of client funds or securities or bill client accounts six (6) months or more in advance for more than \$1,200.

**END OF DISCLOSURE BROCHURE**