



1560 Sherman Avenue Suite 1300
Evanston, IL 60201
847-866-7700

This brochure provides clients with information about Romano Brothers & Co. and the Managed Account Program that should be considered before becoming a client of the Managed Account Program. This information has not been approved or verified by any governmental authority.

Table of Contents

SERVICES	<u>1</u>
INVESTMENT PHILOSOPHY	<u>1</u>
SERVICE EXECUTION	<u>2</u>
PEOPLE	<u>3</u>
FEES	<u>5</u>
ADDITIONAL CONSIDERATIONS	<u>5</u>

ROMANO BROTHERS & CO.

DISCLOSURE STATEMENT

SERVICES

The Managed Account Program of Romano Brothers & Co. consists of several components:

- a) General financial, retirement, tax and estate planning
- b) Investment selection and follow-up monitoring
- c) Purchase and sales of securities
- d) Securities custody and income collection
- e) Continuing communication to discuss account performance, market conditions, changes in client circumstances, etc.

Managed Account Services are generally offered to individuals, corporations, trusts, estates, charitable organizations, pension and profit sharing plans. Generally, the minimum amount of assets for a managed account is \$250,000, but this is not a rigid requirement and there are exceptions.

INVESTMENT PHILOSOPHY

The investment philosophy of Romano Brothers & Co. is very conservative. Our fundamental objective is to preserve the investor's capital. A major part of our advisory service is to determine the most advantageous investment allocation among asset classes at any given time. Investment values and investment fashions vary inversely with each other. Consequently, major effort is expended in evaluating those asset classes that offer the most potential for gain and the least potential for loss, and the distribution of a client's assets is adjusted among the various classes accordingly. At certain times cash or equivalents are the most desirable assets. When markets become so overvalued that the risk of loss outweighs the return on short-term investments, funds are moved in that direction. Within a portfolio of securities, each security must stand on its own merit. We do not recommend securities merely for industry representation or because it is a "good name". Our analysis of securities is based on fundamentals. The main sources of information we use include Bloomberg, Zacks Investment Research, financial periodicals, research material prepared by others, corporate rating services such as Standard & Poor's, and company filings with the Securities and Exchange Commission. We seek those securities that, in our opinion, represent outstanding value based on earnings, earnings trend, assets and cash payouts in relationship to price.

SERVICE EXECUTION

In the Romano Brothers & Co. Managed Account Program, the financial consultant and portfolio manager are the same person. The client chooses the financial consultant he or she wishes to work with and works directly with that person without intermediaries, and continues to work with that same person unless the client elects to change. Generally, the Portfolio Manager will choose the amount of and the securities to be bought or sold. Communication between client and consultant is extremely important and we encourage frequent contact.

All accounts are reviewed at least quarterly. Additionally, reviews are triggered by the occurrence of a significant event in a particular portfolio security. If a significant event occurs in a security owned by our clients, all accounts owning that security are reviewed. In addition, a portfolio performance is calculated each quarter and is reviewed by a principal of the firm or its Chief Compliance Officer, who also monitors the suitability of investments and their compliance with the client's stated investment objectives.

Each client account is reviewed for change in client circumstances, suitability of current investment strategy and suitability of specific investments in the account.

Each client receives a monthly account statement which shows:

- a) Purchases and/or sales of securities during the month
- b) Securities movements
- c) Dividend and interest received
- d) Cash movements into or out of the account including any associated money market mutual fund
- e) Beginning and ending cash balances
- f) Closing securities positions and current market value, annual income, yield and gain or loss compared to cost
- g) Total account equity

PEOPLE

Romano Brothers & Co. employs 11 Portfolio Managers, and in addition some serve as officers of the firm from Vice President to President. All of these people have university training, and in one case a Ph.D. All have completed a minimum of the FINRA Series 7 General Securities Representative Examination as well as hold significant securities or other financial industry experience. Three have earned the designation of Certified Financial Planner™. One holds the designation of Chartered Financial Analyst.

Each manager supervises from approximately 20 to 250 relationships and each is overseen by a firm principal. Portfolio Manager performance is reviewed by a principal of the firm according to standards developed and used by the firm. Their employment histories and educational backgrounds are listed below:

Richard C. Romano, Chairman

Date of birth: September 7, 1932

B.S. Chemical Engineering, University of Illinois 1954

M.S. Chemical Engineering, University of Delaware 1956

Ph. D. Chemical Engineering, University of Delaware 1958

August 1, 1962 through 2002 general partner and President of Romano Brothers & Co. engaged in the general securities business and financial management.

Since October 2002, Chairman of Romano Brothers & Co.

Joseph R.V. Romano, President, CFP®

Date of birth: November 26, 1969

B.A. Economics with Honors, Wesleyan University, Middletown, CT 1992

Carolina Millwright Service, Logistics Manager, 1994-1995

Romano Brothers & Co. 1995-2002, Portfolio Manager

Since October 2002, President of Romano Brothers & Co.

Douglas N. Geisser, Vice President-Fixed Income Securities

Date of birth: November 17, 1960

B.A. Economics and Business, Lake Forest College 1982

Columbian Securities Inc. 1983-1990, Vice President and Sales Manager

Since May 1990, Vice President of Romano Brothers & Co. engaged in the general securities business specializing in fixed income securities as well as equity portfolio management.

David G. Davenport, Portfolio Manager

Date of birth: May 15, 1967

B.A. Economics, University of Arizona 1990

The First National Bank of Chicago 1991-1997, Private Banking Associate

Since June 1997, Portfolio Manager at Romano Brothers & Co.

Richard A. Hemwall, Portfolio Manager

Date of birth: October 2, 1959
B.S. Communications, Illinois State University 1982
Merrill Lynch 1987-1996 Senior Financial Consultant
Since April 1996, Portfolio Manager at Romano Brothers & Co.

Deborah L. Cross, Portfolio Manager

Date of birth: March 10, 1952
B.A. Liberal Arts, Allegheny College, Meadville, PA 1974
Certificate Financial Services, Investment Analysis 1999
National Steel Service Center, Inc. 1978-1988, Territory Manager, Materials Manager
Circle K Industries, Inc. 1988-1992, Vice President, Sales and Marketing
National Securities Corp. 2003, Investment Executive
Since October 2003, Portfolio Manager at Romano Brothers & Co.

Natalie Romano, Associate Portfolio Manager

Date of birth: July 11, 1973
Northwestern University, Liberal Arts
Merrill Lynch, 1994-1996, Registered Assistant Fixed Income Team
Solomon Smith Barney, 1997-1998, Registered Sales Associate, Equity Portfolio Manager
Since March 1999, Associate Portfolio Manager at Romano Brothers & Co.

Nick Paldmic, CFA, CFP®, CTFA Portfolio Manager

Date of birth: November 2, 1971
B.S. Management, Purdue University, 1996
MBA, Northwestern Kellogg School of Management 2006
American Express Financial Advisors, 1996-2001, Financial Advisor
Fifth Third Bank 2001-2004, Investment Advisor, Assistant Vice President
The Northern Trust 2004-2009, Managing Director, Vice President
Since September 2009 Portfolio Manager at Romano Brothers & Co.

Christopher K. Knorr, CFP®, Associate Portfolio Manager

Date of birth: April 14, 1984
B.A. Economics, Hamilton College, Clinton, NY 2006
Since July 2006, Associate Portfolio Manager at Romano Brothers & Co.

Brett Larson, Associate Portfolio Manager

Date of birth: December 12, 1980
B.A. Finance with an emphasis in Accounting, University of Iowa 2003
First Investors Corporation 2003-2004
JP Morgan Chase Bank 2004-2006
Romano Brothers & Co. 2006-2009, Operations
Since September 2009 Associate Portfolio Manager at Romano Brothers & Co.

Laura Daly, Associate Portfolio Manager

Date of birth: February 5, 1977

B.A. Journalism, Georgia State University 1999

Charles Schwab 2000-2009, Operations Manager

Since August 2009 Associate Portfolio Manager at Romano Brothers & Co.

FEES

Annual asset valuation fee (including cash) for our services (subject to negotiation):

\$100,000 to \$250,000	1% subject to \$1,000 minimum fee
\$250,000 to \$1,000,000	0.6% plus \$1,000 base fee
Next \$1,000,000 to \$4,000,000	0.5%
Accounts of \$5,000,000 +	by negotiation

This fee is retained by Romano Brothers & Co. Included in the management fee are normal brokerage commissions customarily charged for brokerage transactions. The asset base for calculation of fees includes all securities in the account including money market funds and mutual funds. Fees charged by the firm are in addition to those charged by the fund managers.

The services provided by this program might be more or less than the cost of the same services if provided separately. Since the program services consist of a) general financial, tax and estate planning, b) investment selection and monitoring, c) purchase and sale of securities, d) securities custody and income collection, and e) reporting, the cost of these services purchased separately would depend upon the relative usage of each component. For example, for a client that is an active trader, transaction fees could total more than the single comprehensive account fee under the investment management program, and vice versa.

ADDITIONAL CONSIDERATIONS

Romano Brothers & Co. is also registered as a broker-dealer. In the course of providing managed account services, the firm will execute trades for clients through its broker-dealer. As an introducing broker-dealer, the firm routes all of its order flow to its clearing firm, Mesirow Financial, Inc. ("MFI"). MFI as clearing broker directs execution of all of the firm's trades, and performs its own internal review of best execution. MFI directs a large volume of orders to brokers on all major exchanges.

The firm as principal does buy or sell securities from or to its clients. The broker-dealer arm of the firm does not engage in underwriting or trading equity securities. It does however, engage in trading municipal, corporate and U.S. Government Agency securities, and maintains bona fide positions subject to real market risk in owning those securities. Our policy is to mark-up or mark-down securities from the inter-dealer offering price and the investment management contract discloses this information to our clients. This policy usually yields additional compensation to the firm and might in some cases provide a potential conflict of interest. The

amount of any mark-up or mark-down will be provided on request.

Participants may incur additional fees in the program. These fees include a postage fee of \$3.75 per trade.

Romano Brothers & Co. receives distribution fees (so called 12b-1 fees) from mutual funds and specifically from the distributor of the money market mutual fund used by it for deposit of un-invested funds.

On occasion, the firm makes an error in executing a client transaction. When these errors occur on a solicited trade, the firm policy is to determine what the client was properly entitled to and puts the client in that position. The firm assumes the market risk of making the customer whole, and in the process of correcting the error might make a gain or take a loss. Any gain or loss inures to the firm since the client was put in his rightful position and the firm assumed the risk. When a trade error occurs on an unsolicited trade in which a prolonged period of time has elapsed before the error is discovered, the firm will expect the client to share in the liability for the error, as the client has received a confirmation of the trade as well as a statement. The level of that liability will be determined at the discretion of the principals of the firm.

The portfolio manager recommending and managing the Romano Brothers & Co. Managed Account Program receives compensation for the client's participation in the program. This compensation might be more than what the manager would receive if the client paid separately for the various services provided by the firm, and might therefore have a financial incentive to recommend the investment management program over other services.

Neither Romano Brothers & Co. nor any related person has any arrangement oral or written where it is paid cash or receives any economic benefit from a non-client in connection with giving advice to clients. Nor does Romano Brothers & Co. or any affiliated person directly or indirectly compensate any person for client referrals.

ROMANO BROTHERS AND COMPANY**Statement of Financial Condition****December 31, 2009**

Assets

Cash and cash equivalents	\$	189,460
Securities owned, at fair value		1,346,357
Receivable from broker-dealer		291,023
Deposit with broker-dealer		50,070
Other receivables		604,010
Furniture, equipment and leasehold improvements (less accumulated depreciation and amortization of \$578,533)		20,868
Other assets		<u>46,353</u>
	\$	<u><u>2,548,141</u></u>

Liabilities and Stockholders' Equity

Liabilities

Accounts payable and accrued expenses	\$	515,931
Deferred Income taxes payable		<u>585,000</u>
		<u>1,100,931</u>

Stockholders' equity

Common stock, no par value; 500,000 shares authorized; 44,000 shares issued and outstanding		218,687
Retained earnings		2,629,793
Treasury stock, 12,200 shares of common stock in treasury, at cost		<u>(1,401,270)</u>
		<u>1,447,210</u>
	\$	<u><u>2,548,141</u></u>

See accompanying notes.

ROMANO BROTHERS AND COMPANY

NOTES TO STATEMENT OF FINANCIAL CONDITION December 31, 2009

1. Nature of Business

Romano Brothers and Company (the "Company") was incorporated in the State of Illinois on October 2, 1968. The Company is a registered securities broker-dealer and a registered investment advisor. The Company's primary source of revenue is management fees derived from investment and cash management services provided to those customers that choose to have their accounts professionally managed. The Company also engages in the proprietary trading of fixed income products and exchange-traded equity securities.

2. Summary of Significant Accounting Policies

A summary of the significant accounting policies, which have been followed in preparing the accompanying financial statements, is set forth below.

Income Recognition

Securities transactions and related income and expenses are recorded on settlement date. Generally Accepted Accounting Principles normally require an entity to record securities transactions on a trade date basis, however, a majority of brokers and dealers record most securities transactions on the settlement date rather than on the trade date. The difference between trade date and settlement date accounting is not material to the Company's financial position at December 31, 2009. Management fee income is recorded on an accrual basis.

All financial instruments are recorded in the statement of financial condition at fair value in accordance with Statement of Financial Accounting Standards No. 157 ("FAS 157"). FAS 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value (see Note 8).

Furniture, Equipment and Leasehold Improvements

Furniture and equipment are recorded at cost and depreciated by straight-line and various accelerated methods over the estimated useful lives of the assets. Leasehold improvements are amortized by the straight line method over the term of the associated lease.

Income Taxes

For income tax reporting purposes, the Company has elected to file as a small business corporation under Subchapter S of the Internal Revenue Code. Accordingly, no provision for federal income taxes has been made in the financial statements as the taxable income is included in the stockholders' individual income tax returns.

The Company is subject to tax imposed by Section 1374 of the Internal Revenue Code ("built-in gains tax"), which requires corporate-level tax on S corporations that dispose of assets that appreciated in value during the period that the corporation filed as a C corporation. S corporations subject to built-in gains tax are required to pay tax at the highest corporate rate on all built-in gains realized during the ten year period following the date of election to file as an S corporation.

ROMANO BROTHERS AND COMPANY

NOTES TO STATEMENT OF FINANCIAL CONDITION, Continued December 31, 2009

2. Summary of Significant Accounting Policies, continued

Cash Equivalents

Cash equivalents consist of money market deposits with maturities of less than three months.

Reclassifications

For the statement of cash flows certain prior year balances have been reclassified to conform to the current year presentations.

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

3. Profit Sharing Plan

The Company has a profit sharing plan covering substantially all eligible employees. The Company's contribution is discretionary.

4. Credit Concentration

At December 31, 2009, a significant credit concentration consisted of approximately \$1.5 million, representing the market value of the Company's accounts carried by its clearing broker, Mesiraw Financial Inc. Management does not consider any credit risk associated with this net receivable to be significant.

5. Off-Balance Sheet Risk

Customer transactions are introduced and cleared through the Company's broker on a fully disclosed basis. Under the terms of its clearing agreements, the Company is required to guarantee the performance of its customers in meeting contracted obligations. In conjunction with the broker, the Company seeks to control the risks associated with its customer activities by requiring customers to maintain collateral in compliance with various regulatory and internal guidelines. Customers may be required to deposit additional collateral, or reduce positions, where necessary.

The Company engages in various transactions with broker-dealers and clearing organizations. In the event the counterparties do not fulfill their obligations, the Company may be exposed to credit risk. The risk of default depends on the creditworthiness of the counterparties to these transactions. It is the Company's policy to monitor the creditworthiness of each party with which it conducts business.

ROMANO BROTHERS AND COMPANY

NOTES TO STATEMENT OF FINANCIAL CONDITION, Continued December 31, 2009

6. Commitments

The Company conducts its operations in leased office facilities and annual rentals are charged to current operations. The lease is subject to an escalation clause based on the operating expenses of the lessor.

The approximate minimum annual rental commitments under non-cancelable operating leases are as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2010	\$ 166,000
2011	167,000
2012	<u>169,000</u>
	\$ <u>502,000</u>

In accordance with the stockholders' agreement, the Company may be required to purchase shares of stock under certain conditions, as defined in the agreement.

7. Net Capital Requirements

The Company is a broker-dealer subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1). Under this rule, the Company is required to maintain "net capital" equivalent to \$250,000 or 6 and 2/3 percent of "aggregate indebtedness", whichever is greater, as these terms are defined.

At December 31, 2009, the Company had net capital and net capital requirements of \$540,842 and \$250,000, respectively.

8. Fair Value Disclosure

The Company adopted Statement of Financial Accounting Standards No. 157 ("SFAS No. 157"), which requires, among other things, enhanced disclosures about investments that are measured and reported at fair value. SFAS No. 157 establishes a hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 Inputs Quoted prices in active markets for identical assets or liabilities at the reporting date.

ROMANO BROTHERS AND COMPANY

NOTES TO STATEMENT OF FINANCIAL CONDITION, Continued December 31, 2009

8. Fair Value Disclosure, continued

Level 2 Inputs Other than quoted prices included with Level 1 that are observable for substantially the full term of the asset or liability, either directly or indirectly. Level 2 assets include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities that are not active; and inputs other than quoted prices that are observable, such as models or other valuation methodologies.

Level 3 Inputs Unobservable inputs for the valuation of the asset or liability. Level 3 assets include investments for which there is little, if any, market activity. These inputs require significant management judgment or estimation.

The following table presents the Company's fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31, 2009:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Assets			
Securities owned			
Corporate stocks	\$ 872,435	\$ -	\$ 872,435
Certificates of deposit	124,319	-	124,319
Corporate debt	-	50,003	50,003
U.S. Government agency	39,031	-	39,031
State and municipal deposits	<u>260,569</u>	<u>-</u>	<u>260,569</u>
Total securities owned	<u>\$ 1,296,354</u>	<u>\$ 50,003</u>	<u>\$ 1,346,357</u>

At December 31, 2009, the Company held no Level 3 investments.