



## Charter Oak Capital Management, LLC

Offices in  
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[www.charteroakcm.com](http://www.charteroakcm.com)

March 21, 2011

This Brochure serves as a replacement to Part II of Form ADV Uniform Application for Investment Adviser Registration, which provides information about the qualifications and business practices of Charter Oak Capital Management and its business for the use of clients and prospective clients.

If you have any questions about the contents of this Brochure, please contact us at (800) 646-5720 or [general@charteroakcm.com](mailto:general@charteroakcm.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Charter Oak Capital Management is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

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

## **Item 2 – Material Changes**

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated March 21, 2011 is a new document prepared according to the SEC’s new requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Cherry Chretien, Compliance Manager at (800) 646-5720 or [cherry@charteroakcm.com](mailto:cherry@charteroakcm.com).

Additional information about Charter Oak Capital Management is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with Charter Oak Capital Management who are registered, or are required to be registered, as investment adviser representatives of Charter Oak Capital Management.

### Item 3 -Table of Contents

Item 1 – Cover Page.....	i
Item 2 – Material Changes .....	ii
Item 3 -Table of Contents.....	iii
Item 4 – Advisory Business and Fees .....	1
Item 5 – Types of Clients .....	5
Item 6 – Types of Investments.....	5
Item 7 – Methods of Analysis, Sources of Information and Investment Strategies.....	6
Item 8 –Other Business Activites and Other Financial Affiliations.....	7
Item 9 – Participation of Interest in Client Transactions & Code of Ethics .....	7
Item 10 – Conditions for Managing Accounts .....	8
Item 11 – Review of Accounts .....	8
Item 12 – Investment or Brokerage Discretion.....	9
Item 13 – Client Referral and Additional Compensation.....	10
Item 14 – Voting Client Securites.....	11
Item 15 - Privacy Policy.....	11

Brochure Supplement(s)

## **Item 4 – Advisory Business & Fees**

### **Advisory Services and Fees**

Charter Oak Capital Management, LLC (hereinafter “Charter Oak”), managed since 1993 is formed under the laws of Delaware. Charter Oak is registered with the Securities and Exchange Commission, and the States of Maine and New Hampshire as an investment adviser where physical offices exist. Charter Oak is a fee-only investment management and financial planning firm. The firm does not sell securities on a commission basis. However, there may be some associated persons who are in other fields and receive commissions as compensation. The firm is not affiliated with entities that sell financial products or securities. Charter Oak’s primary services are managing investment portfolios on behalf of clients who grant Charter Oak discretionary investment authority, providing comprehensive financial planning services for clients, including furnishing advice to clients on matters not involving securities. Individuals provide investment advisory services are known as Investment Adviser Representatives (IARs). These individuals are appropriately licensed, qualified and authorized to provide advisory services on Charter Oak’s behalf. Some persons associated with Charter Oak are also registered representatives of Purshe Kaplan Sterling Investments (“PKS”) a licensed full service securities broker/dealer. Purshe Kaplan Sterling is a member of the Financial Industry Regulatory Authority (FINRA).

### **Portfolio Management Services**

Charter Oak provides discretionary portfolio management services on a continuous basis where the investment advice is based on the individual needs of the particular client as set forth in the client’s Investment Policy Statement (“IPS”) or other guiding investment principals. Charter Oak performs various functions without further approval from the client. Such functions include assessment of the clients’ goals and risk tolerance, preparation of an investment plan based on the client goals and constraints, execution of trades in accordance with the investment plan. Once the portfolio is constructed, Charter Oak provides continuous supervision and re-optimization of the portfolio as changes in market conditions and client circumstances may require. In addition, Charter Oak provides quarterly reporting of portfolio positions and performance, and a review with the client their portfolio and reassessment of goals and risk tolerance. In limited circumstances, Charter Oak may enter into non-discretionary arrangements with its clients where Charter Oak obtains client approval prior to the execution of a trade. Generally, the Account assets shall be held by Fidelity or Schwab as custodian (the “Custodian”), pursuant to a separate agreement between the Custodian and the Client. In addition to the advisory fee, there

maybe transaction charges involved when purchasing or selling securities or annual maintenance fees that encompass transaction costs. A complete disclosure of all fees charged to clients will be provided in a supplemental disclosure document provided with the account opening documents. A written confirmation of each transaction including all transaction charges will be sent to the client immediately following execution either by mail or electronically, unless the client has given written approval not to receive such notification. The Custodian will also provide to client, at least quarterly, a written or electronic statement showing beginning and ending portfolio values as well as all advisory fees, and any and all monthly fees deducted from the Account. The custodian will provide such statements to both the client and the Advisor. The annual fee for portfolio management services is assessed quarterly in advance based on the value of the assets under management on the last day of the quarter, prorated in the event the portfolio management agreement is executed at any time other than the first day of a billing period and for withdrawals and additions over the quarter. In addition, Adviser may also reduce or waive management fees for its personnel, household members of the Adviser's personnel, and the family or friends of the Adviser's personnel. Generally, Charter Oak requires a minimum quarterly fee of \$375. On an annualized basis, Charter Oak's fee for portfolio management is subject to negotiation, not to exceed 1.50% of assets under management.

***Fee Schedule per Relationship***  
(Minimum Fee is \$375 per quarter)

Assets under Management	Fee
First 250,000	1.50%
\$250,000 to \$500,000	1.35%
\$500,000 to \$1,000,000	1.00%
\$1,000,000 to \$1,500,000	0.85%
\$1,500,000 to \$2,500,000	0.70%
\$2,500,000 to \$5,000,000	0.55%
\$5,000,000 TO \$7,000,000	0.50%
\$7,000,000 AND UP	0.40%

The fees charged are calculated as described above and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds or any portion of the funds of an advisory client (SEC Rule 205(a)(1)).

Charter Oak will either invoice the client directly for management fees or payment will be made by the qualified custodian holding the client's funds and securities provided the client provides written authorization permitting the fees to be paid directly from their account.

Charter Oak will not have access to client funds for payment of fees without client consent in writing. Charter Oak or the client may terminate the management agreement within five days of the date of acceptance without penalty to the client. After the five-day period, either party, upon written notice to the other, may terminate the management agreement. The management fee will be pro-rated for the quarter in which the cancellation notice was given and any unearned fees will be returned.

Fees are subject to change upon the Adviser giving the Client thirty days written notice. The Client has the option of accepting the new fee schedule or terminating this Agreement pursuant to the termination provisions set forth in their Investment Advisory Agreement.

Generally, Charter Oak's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Advice offered by Charter Oak may involve investment in mutual funds or Exchange Traded Funds. Clients are hereby advised that all fees paid to Charter Oak for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or Exchange Traded Funds (described in each Mutual Fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. Further, there may be transaction charges involved with purchasing or selling of securities. Charter Oak does not share in any portion of the brokerage fees/transaction charges imposed by the custodian holding the client funds or securities. The client should review all fees charged by mutual funds, Charter Oak, and others to fully understand the total amount of fees to be paid by the client. Such charges, fees and commissions are exclusive of and in addition to Charter Oak's fee, and Charter Oak shall not receive any portion of these commissions, fees, and costs.

Charter Oak does not represent warranty or imply that the services or methods of analysis employed by the firm can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines.

### **Retirement Plan Consulting Services**

Charter Oak provides consulting services to individual participants of Retirement plans, and other qualified plans. In general, these services will consist of asset allocation advice, investment monitoring, or on-going management services. The annual fee for these consulting services is billed quarterly in advance based upon the market value of the assets on the beginning of the first day of the quarter. On an annualized basis, Charter Oak's fee is subject to negotiation, not to exceed 1.50% of assets under management. Fees will be assessed pro rata in the event the agreement is executed at any time other than the first day of a billing period. Charter Oak will provide consulting services to the plan participants

as described above. Typically, the named plan fiduciary must make the ultimate decision as to retaining the services of such investment advisers as Charter Oak recommends. The client may terminate the consulting agreement within five days of the date of acceptance without penalty to the client. Thereafter, either party may terminate the agreement by providing written notice to the other party. In the event there are any prepaid unearned fees, Charter Oak will promptly refund a pro rata share to the client.

Charter Oak shall never have custody of any client funds or securities, as the services of an independent custodian will be used for these asset management services.

### **Financial Planning and Consulting Services**

Charter Oak also provides financial planning services, which typically involves providing advice to clients on matters not involving securities such as cash flow & budgeting, retirement goal setting, insurance and risk management needs analysis, wealth transfer strategies, and tax and estate planning. Charter Oak may also provide investment-related consulting services to clients that may include, but are not limited to, advice on existing or potential investment products, account re-balancing, education funding, and/or asset allocation. As part of the services provided, various life, health, and disability insurance policies may be reviewed and offered. The client understands that a commission may be paid to the IAR, in their capacity as a licensed insurance agent, in the event the advisory client has cause to purchase or exchange any policy. The fee for such services would be provided as part of either a mutually agreed upon flat-fee or billed on Charter Oak's hourly rate of \$250. When the scope of the financial planning or consulting services has been agreed upon, a determination will be made as to the applicable fee. The final fee, subject to negotiation, is directly dependent upon the facts and circumstances of the client's financial situation and the complexity of the financial plan or service(s) requested. One half of the fee is due and payable in advance with the balance due on completion of the contracted services. *In limited circumstances*, the cost/time could potentially exceed the initial estimate. In such cases, Charter Oak will notify the client and may request that the client pay an additional fee. Charter Oak or the client may terminate the financial planning agreement within five days of the date of acceptance without penalty to the client. Thereafter, the client will incur a pro rata charge for bona fide financial planning services actually rendered prior to such termination. After the five-day period, either party may terminate the financial planning agreement by providing written notice to the other party. In the event there are any prepaid unearned fees, Charter Oak will return a pro rata share to the client.

## **Seminars**

Seminars may be presented for the general public from time-to-time normally at no charge. There are, however, certain instances where a fee may be charged for admission; such fee will not exceed \$500 per person. Under such arrangements, the fee would be payable at the entrance and is non-refundable.

Amount of Assets upon Which Investment Advice is Provided. As of December 31, 2011 Charter Oak provides advice on approximately \$163,345,550 of financial assets for approximately 553 family households. Family households may consist of more than one client (i.e., client and spouse, plus one or more adult or minor children, trusts, and defined benefit plans for which the client serves as a sponsor). Of these family households, approximately half contain a “high net worth” client (i.e., generally, more than \$750,000 of assets under advisement or net worth exceeding \$1.5 million). These statistics do not include assets upon which advice is given for Charter Oak associated persons and their immediate families.

## **Item 5 – Types of Clients**

Charter Oak provides portfolio management services to individuals, high net worth individuals, investment companies, corporate pension and profit-sharing plans, trusts, estates, and charitable organizations.

## **Item 6 – Types of Investments**

Typical investments include open-ended mutual funds, exchange traded funds, common stocks issued by domestic and foreign companies, warrants, certificates of deposit, U.S. Government securities, municipal securities, variable annuities, variable life insurance, bonds issued by domestic companies, option contracts on securities, and preferred stocks issued by domestic companies.

Charter Oak may offer advice on investments in Real Estate Investment Trusts and interest in partnerships investing in equipment leasing, cable television, fast food franchising, leveraged buyouts, and operating businesses, among others.

Charter Oak reserves the right to advise clients on any other type of investment that it deems appropriate based on the clients stated goals and objectives. Charter Oak may also provide advice about any type of investment held in a client’s portfolio at the inception of the advisory relationship.



## **Item 7 – Methods of Analysis, Investment Strategies and Risk of Loss**

“Investing in securities involves risk of loss that clients should be prepared to bear.”

Charter Oak Capital Management employs charting, fundamental, technical analysis and analysis of economic, market, industry, firm, and product cycles and trends to evaluate investments and manage portfolios.

Typical sources of information include financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the Securities and Exchange Commission, financial news and quotation services, financial data providers, and analyst research reports.

Charter Oak continually adapts its investment strategies to market conditions and individual client needs. The investment strategies used to implement any investment advice given to clients include long term purchases (securities held at least a year), short term purchases (securities sold within a year), and trading (securities sold within 30 days). Charter Oak does not make short sales or engage in margin transactions for client except in special circumstances and at a client's specific request. It occasionally executes option transactions at the request of client's, but does not employ options or other derivatives in accounts over which it has discretionary investment authority.

All investment programs have certain risks that are borne by the investor. Our Investment approach keeps the risk of loss in mind. Certain market risks may include but not limited to: competition, market volatility, accuracy of public information, volatility of currency prices, loss of principal risk, interest-rate risk, and inflation risks. Depending on the nature of the investment management service selected by a client and the securities used to implement the investment strategy, clients will be exposed to risks that are specific to the securities in their particular investment portfolio. In addition, regulatory risks may include but are not limited to: strategy restrictions, trading limitations, tax risks and conflicts of interest.

## **Item 8 –Other Business Activities & Financial Affiliations**

Some associated persons are registered securities representatives of Purshe Kaplan Sterling Investments ("PKS") a registered broker-dealer, member of the Financial Industry Regulatory Authority ("FINRA"). In addition, associated persons are also insurance agents/brokers of various insurance companies. In these capacities associated persons of the Adviser may recommend securities, insurance, advisory or other products, and receive normal securities transactions commissions if products are purchased through Purshe Kaplan Sterling Investments. Thus, a conflict of interest exists between the interests of the associated persons and those of the advisory clients. In addition, Clients are under no obligation to implement any recommendations that any of the associated persons may make in their capacity as a registered representative of a broker-dealer or licensed insurance agent.

## **Item 9- Participation of Interest in Client Transactions and Code of Ethics**

Charter Oak anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which Charter Oak has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which Charter Oak, its affiliates and/or clients, directly or indirectly, have a position of interest. Charter Oak's employees and persons associated with Charter Oak are required to follow Charter Oak's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Charter Oak and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for Charter Oak's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Charter Oak will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of Charter Oak's clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is

continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between Charter Oak and its clients.

Charter Oak has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Charter Oak must acknowledge the terms of the Code of Ethics annually, or as amended.

Charter Oak's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Jeffrey Troiano.

#### **Item 10 – Conditions for Managing Accounts**

Generally Charter Oak restricts account/households to a \$250,000 minimum of managed assets and a minimum annual fee of \$1,500 or \$375 quarterly, however Charter Oak reserves the right to accept relationships at lower levels if Charter Oak deems appropriate.

#### **Item 11-Review of Accounts**

Each investment account is generally reviewed at least semi-annually. Accounts are reviewed for consistency with the investment strategy and performance. Reviews may be triggered by changes in an account holder's personal, tax or financial status. Macroeconomic and company specific events may also trigger reviews.

Reviews are performed by Jeffrey Troiano, Eugene Akerberg, Todd Cesca, Karen Zaramba, Lena Wyand, Samuel Reid, or Benjamin Willauer. There currently is no limit on the number of accounts that can be reviewed by the associate.

Clients with accounts managed by Charter Oak Capital Management and custody at firms for which Charter Oak has a relationship normally receive brokerage statements monthly, but no less than quarterly either by mail or electronically. Charter Oak Capital Management sends quarterly performance reports and bills to clients within 30 days of the close of a calendar quarter.

## **Item 12 Investment or Brokerage Discretion**

Charter Oak usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, Charter Oak observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, Charter Oak's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Investment guidelines and restrictions must be provided to Charter Oak in writing.

### **Suggestion of Broker**

Investment Adviser Representatives of Charter Oak will recommend Fidelity, Schwab, or Purshe Kaplan Sterling Investments to advisory clients in need of brokerage and custodial services. Charter Oak believes that these firms provide a full range of investment and other financial services at rates that are generally no higher than comparable services in the financial services community. Client may execute transactions through associated persons of Charter Oak as registered representatives of Purshe Kaplan Sterling. However, clients may utilize the broker/dealer of their choice and have no obligation to purchase or sell securities through Charter Oak or such broker or Custodian as Charter Oak recommends.

In selecting brokers or dealers to execute transactions, Advisors will seek to achieve the best execution possible but this does not require it to solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is the policy and practice of the Adviser to strive for the best price and execution for costs and discounts which are competitive in relation to the value of the transaction and which comply with Section 28(e) of the Securities Exchange Act of 1934, as amended. Nevertheless, it is understood that the Adviser may pay compensation on a transaction in excess of the amount of compensation that another broker or dealer may charge so long as it is in compliance with Section 28(e), and the Adviser makes no warranty or representation regarding compensation paid on transactions. In negotiating mark-ups or mark-downs, the Adviser will take into account the financial stability and reputation of brokerage firms and the brokerage and research services provided by such brokers, although the client may not, in any particular instance, be the sole direct or indirect beneficiary of the research services

provided. The Adviser has no obligation to deal with any broker or group of brokers in executing transactions in portfolio securities.

#### *Directed Brokerage*

Some clients may instruct Charter Oak to use one or more particular brokers for the transactions in their accounts. Clients who may want to direct the Firm to use a particular broker should understand that this may prevent Charter Oak from aggregating trades with other clients and from effectively negotiating brokerage compensation on their behalf. This arrangement may also prevent Charter Oak from obtaining the most favorable net price and execution. Thus, when directing brokerage business, clients should consider whether the commission expenses and execution, clearance and settlement capabilities that they will obtain through their broker are adequately favorable in comparison to those that Charter Oak would otherwise obtain for its clients.

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. Charter Oak urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

### **Item 13 – Client Referrals and Other Compensation**

#### **Additional Compensation**

Investment Adviser Representatives may sell insurance products, including, but not limited to, life, health, and long term care products, and will receive additional compensation, in the form of commissions, on the sale of such products. IARs may also receive 12b-1 distribution fees from investment companies (mutual funds) in connection with the placement of clients' funds into investment companies in their capacity as registered representatives of Purshe Kaplan Sterling Investments.

Charter Oak and its related persons restrict its compensation solely and exclusively to the professional fees it receives directly from clients. Neither Charter Oak nor any of its employees will accept any sales commissions, referral fees, or soft dollars. Charter Oak and its employees will not accept prizes, travel, gifts or meals valued in excess of \$100 from any financial product vendor, custodian or other financial service provider. Charter Oak does not receive any compensation from investment companies and does not have an arrangement for receiving compensation for client referrals.

## **Item 14 – Voting *Client* Securities**

### *Proxy Voting*

Charter Oak, with written client permission, will vote proxies and will take any action or render any advice with respect to voting of proxies solicited by or with respect to the issuers of securities in which assets of the Client may be invested. In addition, Charter Oak will not take any action or render any advice with respect to any securities held by the Client which are named in or subject to class action lawsuits. Charter Oak will however, forward to Client any information received by Charter Oak regarding class action legal matters involving any security held by the Client.

Without written Client permission, Charter Oak will not be required to take any action or render any advice with respect to voting of proxies solicited by, or with respect to, the issuers of securities in which client assets may be invested. Although Charter Oak may, on rare occasions and only at the client's request, offer clients advice regarding corporate actions and the exercise of proxy voting rights.

## **Item 15-Privacy Policy**

Below is a summary of Charter Oak's Privacy Policy regarding client personal information. A complete version of the Privacy Policy may be obtained by contacting the Chief Compliance Officer.

The Adviser:

- a) Collects non-public personal information about its clients from the following sources:
  - Information received from clients on applications or other forms;
  - Information about clients' transactions with the Adviser, its affiliates and others;
  - Information received from our correspondent clearing broker with respect to client accounts;
- b) The Adviser will not share such information with any affiliated or non affiliated third part except:
  - When necessary to complete a transaction in a customer account, such as with the clearing firm or account custodians;
  - When required to maintain or service a customer account;
  - To resolve customer disputes or inquires;

- With persons acting in a fiduciary or representative capacity on behalf of the customer;
  - With rating agencies, persons assessing compliance with industry standards, or to the attorneys, accountants and auditors of the firm;
  - In connection with a sale or merger of The Adviser's business;
  - To protect against or prevent actual or potential fraud, identity theft, unauthorized transactions, claims or other liability;
  - To comply with federal, state or local laws, rules and other applicable legal requirements;
  - In connection with a written agreement to provide investment management or advisory services when the information is released for the sole purpose of providing the products or services covered by the agreement;
  - In any circumstances with the Client's instruction or consent.
- c) Restricts access to confidential client information to individuals who are authorized to have access to confidential client information and need to know that information to provide services to clients.
- d) Maintains physical, electronic and procedural security measures that comply with applicable state and federal regulations to safeguard confidential client information.

A copy of Charter Oak's privacy policy notice will be provided to each client prior to, or contemporaneously with, the execution of the advisory agreement. Thereafter, Charter Oak will deliver a copy of the current privacy policy notice to clients on an annual basis.